Alembic Pharmaceuticals Limited

Climate-related Disclosures

(in alignment with IFRS-S2 guidelines)

FY 2024-25

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1. Executive Summary

1.1. Objective of the Report

This report discloses Alembic's climate-related risks and opportunities in alignment with the IFRS S2 Climate-related Disclosures framework for FY 2024-25. We aim to provide information to our stakeholders by outlining how we govern, assess, and manage climate risks and opportunities. Through this report, we reinforce our commitment to responsible business conduct and climate resilience while ensuring regulatory preparedness.

1.2. Scope and Reporting Boundary

The scope of this study covers our operations in India across 5 regions (including 4 units in Panelav, 3 units in Karkhadi,1 unit in Jarod along with 1 small scale-up facility in Panchdevla[1], 1 unit in Sikkim, and 1 unit in Pithampur), 2 Research and Development (R&D) centers (Vadodara and Hyderabad), and 2 corporate offices (Mumbai and Vadodara). The climate-related risks and opportunities are identified and assessed over three time horizons—short-term (2030), medium-term (2040), and long-term (2050). The climate-related transition risks to our critical supplier locations in USA and China are also considered within our assessment boundary.

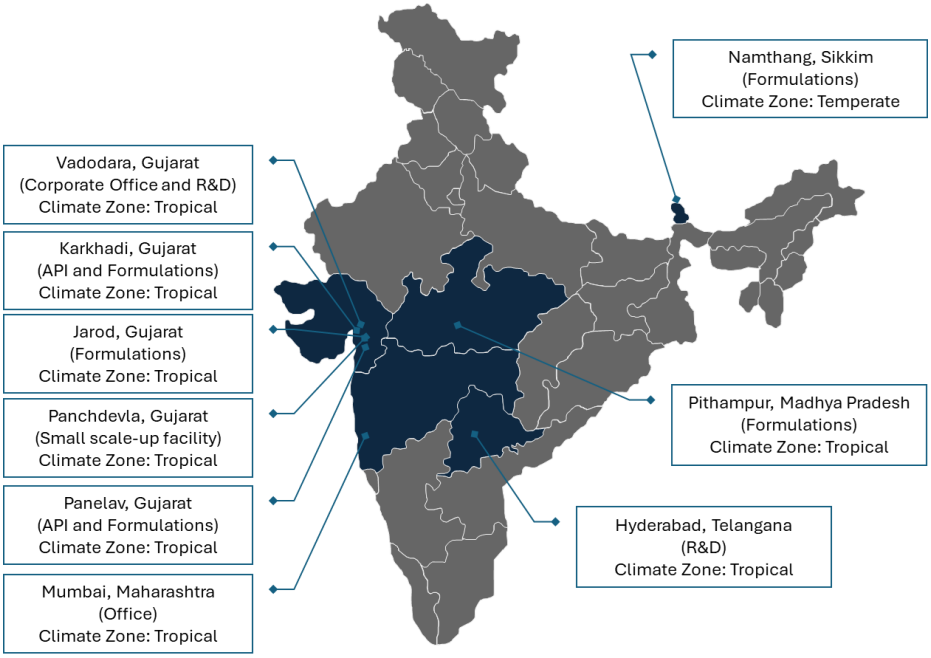

Figure 1: Alembic's operational sites, R&D facilities, and corporate offices across India

1.3. Summary of Key Findings

Table 1: Summary of material Climate-related Physical Risks

Physical risks		Impact areas	Business implications	Financial implication	Existing management measures and adaptation plan
Chronic risk	**Associated acute risks**				
Changes in Temperature	Extreme heat, Droughts	Formulations and R&D operations at Panchdevla	- Higher HVAC/cooling demand (~10–20% increase in OPEX)	Additional OPEX: Current: ~0.091% of revenue Future: ~0.13-0.5%	- Energy efficiency measures (conversion to centrifugal chillers, VRF ACs, IE4 motors)

[1] Our facilities at Jarod and Panchdevla have been assessed together in this study owing to their close geographic proximity (approximately 5 km apart)

		and Vadodara	- Heat stress on workforce, affecting productivity - Risk to stability of heat-sensitive APIs and solvents		- Renewable energy (RE) adoption (target 80% electricity from RE) - Envelope and reflective roof retrofits - Occupational safety interventions
Changing precipitation patterns	Floods, Landslides, Cyclones	Formulations operations (Sikkim) and supply chain (logistics)	- Operational downtime (100+ days) from floods/landslides disrupting sites and employee access - Supply chain/logistics disruption due to lack of alternate routes	- Revenue loss due to floods Current: ~0.05%; Future: 0.06 – 0.07% - Revenue loss due to landslides Current: ~0.001%; Future: ~0.002%	- Resilient infrastructure (flood-proofing, stormwater systems) - Route diversification for logistics wherever feasible - Flood/landslide emergency protocols and alternate work arrangements

Table 2: Summary of material Climate-related Transition Risks

Transition risk	Impact areas	Business implications	Financial implication	Existing management measures and adaptation plan
Policy & Legal: Carbon Pricing / Carbon Taxes	Energy-intensive Formulations and API units; Suppliers and export markets in carbon-regulated countries	- Higher operating costs due to direct carbon taxes on energy use - Increased raw material costs as suppliers pass on their carbon tax exposure - Compliance burden in regulated markets (reporting, disclosures) - Potential constraints on export eligibility if unable to meet carbon intensity thresholds	No direct or indirect costs currently; Future: 7 - 27%	- Energy efficiency retrofits - Renewable energy adoption (target: 80%) - Supplier engagement on carbon disclosures - Strengthening climate disclosure frameworks to align with EU/ USA requirements

Table 3: Summary of material Climate-related Opportunities

Opportunity	Impact areas	Business implications	Financial implication	Existing management measures and adaptation plan
Reduction in costs through renewable energy adoption	Energy-intensive manufacturing units; Cold chain logistics operations	- Increased reliance on renewable energy expected to reduce exposure to fossil fuel price volatility - Strengthen long-term operational resilience - Support achievement of GHG reduction targets and compliance with export markets (EU, USA)	Current: ~0.7% of revenue Future: ~1.6 - 8%	- Progressive adoption of solar and wind energy and green Power Purchase Agreements (PPAs) (target: 80% RE dependency) - Ongoing investments in rooftop solar and off-site RE procurement
Reduction in direct costs due to reduced water usage and consumption	API synthesis and formulations, utilities and cooling systems	- Reduced operational costs with implementation of water efficiency measures - Reduced dependency on scarce water resources, especially in water-stressed geographies (Gujarat cluster)	Current: ~0.03% of revenue Future: ~0.04 - 0.1%	- Implementation of water-efficient processes and Zero Liquid Discharge (ZLD) systems - Rainwater harvesting and water recycling initiatives towards achieving water neutrality by 2027 target

				- Engagement in water stewardship programs with local communities

2. Governance

2.1. Oversight of Climate-related Risks and Opportunities

2.1.1 Roles and responsibilities of the Board and Committees:

The role of the highest governance body in sustainability matters lies with our Board of Directors who provides strategic direction and oversight, ensuring the company operates in the best interests of all stakeholders.

Key Responsibilities:

- Strategic Oversight: Guiding the company's strategic direction and ensuring alignment with our mission and vision.
- Risk Management: Identifying and mitigating climate related risks and opportunities that could impact the company's operations and reputation.
- Performance Monitoring: Evaluating the performance of the management team and ensuring accountability for achieving business objectives.

Climate-related Governance and Management

The **Risk Management Committee** (RMC) is responsible for overseeing climate-related risks. The committee's roles and responsibilities are distinct from the Board's in that they focus on the operational and tactical aspects of risk management.

The committee's roles and responsibilities include:

- Strategic Direction: Setting the strategic direction for sustainability and ensuring alignment with our corporate goals.
- Policy Development: Developing and implementing sustainability policies and guidelines.
- Performance Monitoring: Tracking and evaluating the performance of sustainability initiatives against established targets.

The committee is also responsible for developing a risk register for the company which includes all risk including climate risks.

2.1.2 Terms of reference and governance policies

At Alembic Pharmaceuticals Limited, we recognize that effective risk management is central to achieving sustainable growth. Our Board of Directors takes responsibility for developing and overseeing a comprehensive Enterprise Risk Management (ERM) framework that allows us to proactively identify, assess, monitor, and report on climate related risks that may impact our operations, stakeholders, or long-term objectives.

Our **Risk Management Policy (RM Policy**) guides us in embedding resilience into our business practices. The primary objective of this Policy is to support stable, sustainable growth while fostering a culture of accountability and foresight. By adopting a proactive approach, we seek to anticipate and mitigate climate related risks before they escalate, ensuring that our business remains strong and adaptable in the face of challenges.

2.2. Role of the Risk Management Committee (RMC)

Our Risk Management Committee plays a key role in implementing and strengthening our risk framework, with a specific focus on **climate-related risks and opportunities**. In line with its mandate, the Committee regularly undertakes the following responsibilities:

1. **Organizational Assessment** – Evaluate how the company functions, including identification of critical operations, survival and recovery requirements, and succession planning for management continuity.
2. **Resource Continuity** – Identify alternate sources for key materials, suppliers, resources, and other critical business inputs to ensure uninterrupted operations.
3. **Business Continuity Planning** – Formulate and maintain a **continuity of operations plan**, reviewing and updating it on an annual basis to reflect evolving risks and business priorities.
4. **Crisis Management Protocols** – Define robust crisis management procedures, establish back-up management structures, and assign clear functional responsibilities across departments.
5. **Stakeholder Communication** – Establish resilient and transparent communication channels with employees, local communities, regulatory authorities, third parties, and other stakeholders to enable timely information sharing and coordinated action during adverse events.
6. **Delegated Accountability** – Delegate the responsibility for ensuring disaster resilience, risk mitigation, and business continuity to designated officials or management committees, thereby ensuring accountability at every level of the organization.

By adopting these measures, we not only safeguard our business continuity but also strengthen the trust and confidence of our stakeholders. Our governance approach ensures that risk management is closely aligned with our sustainability goals, allowing us to remain resilient, responsible, and future-ready.

2.2.1. Competence and skills of governance bodies

Core skills/ Expertise/ Competence	**Actual Availability with current board**	**Mr. Chirayu Amin**	**Mr. Pranav Amin**	**Mr. Shaunak Amin**	**Mr. R. K. Baheti**	**Mr. Ashok Kumar Barat**	**Mr. Jai Diwanji**	**Mr. Manish Kejriwal**	**Ms. Geeta Goradia**
Healthcare Industry Knowhow	Available	√	√	√	√	-	-	√	-
Creating value through Intellectual Property Rights	Available	√	√	√	-	-	-	√	-
Global Operations	Available	√	√	√	√	√	√	√	√
Value Spotting & Inorganic Growth	Available	-	√	√	√	√	√	√	√
Previous Board Experience on similarly sized or bigger companies	Available	√	-	-	√	√	√	√	√

Technical Skills/Experience	**Actual Availability with current board**	**Mr. Chirayu Amin**	**Mr. Pranav Amin**	**Mr. Shaunak Amin**	**Mr. R. K. Baheti**	**Mr. Ashok Kumar Barat**	**Mr. Jai Diwanji**	**Mr. Manish Kejriwal**	**Ms. Geeta Goradia**
Strategic planning	Available	√	√	√	√	√	√	√	√
Risk and compliance oversight	Available	√	√	√	√	√	√	√	√
Marketing	Available	√	√	√	-	√	-	√	√

Policy Development	Available	-	√	√	√	√	-	√	√
Accounting, Tax, Audit and Finance	Available	-	√	-	√	√	-	√	-
Legal	Available	√	-	-	√	√	√	√	-
Sales/ Customer Engagement	Available	-	√	√	√	-	√	√	√
Public Relations & Liasoning	Available	√	√	√	√	-	√	√	√
Information Technology	Available	-	√	√	√	-	-	√	-

Behavioural Competencies	**Actual Availability with current board**	**Mr. Chirayu Amin**	**Mr. Pranav Amin**	**Mr. Shaunak Amin**	**Mr. R. K. Baheti**	**Mr. Ashok Kumar Barat**	**Mr. Jai Diwanji**	**Mr. Manish Kejriwal**	**Ms. Geeta Goradia**
Integrity & ethical standards	Available	√	√	√	√	√	√	√	√
Mentoring abilities	Available	√	√	√	√	√	√	√	√
Interpersonal relations	Available	√	√	√	√	√	√	√	√

The Risk Management Committee (RMC) plays a pivotal role in overseeing the Company's risk governance framework, ensuring that both operational and strategic risks are identified, monitored, and effectively mitigated.

As of 31st March 2025, the RMC comprises the following members, each bringing a distinct set of competencies:

- **Mr. Ashok Barat**
- **Mr. Pranav Amin**
- **Mr. R. K. Baheti**

For more details regarding Risk Management Committee, kindly refer page no. 96 of Annual Report.

2.2.2. Frequency and channels of information flow to governance bodies

During the financial year ended 31st March 2025, the Risk Management Committee met twice – on 13th August 2024 and 3rd February 2025. These meetings served as a structured platform for reviewing our risk management framework, evaluating climate related risks and opportunities, and tracking progress on mitigation measures.

2.2.3. Performance Against Policies and Follow-up Action

To ensure accountability and effectiveness, the Risk Management Policy is reviewed every two years and Risk register reviews are conducted on a half-yearly basis. These reviews are carried out by the relevant Board Committees or authorized senior management teams.

The reviews focus on:

- Measuring performance against set objectives
- Identifying gaps or climate related risks and opportunities, and
- Recommending corrective actions or enhancements to strengthen the framework.

Follow-up actions from each review are tracked and reported back in subsequent meetings, ensuring that climate risk governance remains dynamic, transparent, and aligned with our company's long-term sustainability goals.

2.3. Management's Role

2.3.1. Delegation of roles

The Board has delegated day-to-day responsibility for implementing risk and sustainability frameworks to senior management, who embed climate-related risks and opportunities into operational decision-making. Responsibilities are cascaded through business units and functions, supported by clear accountability mechanisms.

3. Strategy

3.1. Climate-related Risks and Opportunities

At Alembic, we are committed to addressing the adverse effects of climate change from our operations, in alignment with the goals of the Paris Agreement. To support this ambition, we are actively working to reduce our emissions through energy efficiency initiatives and a transition towards alternative energy sources.

We also recognize that climate change poses risks to our own operations and our value chain. Therefore, we are focused on strengthening our internal resilience to these challenges. As part of this effort, we have undertaken a comprehensive climate risk and opportunity assessment to better understand, manage, and respond to the risks and opportunities associated with climate change, ensuring long-term sustainability and resilience of our business.

In 2025, a comprehensive climate-related risk and opportunity assessment is conducted in line with IFRS-S2 recommendations for both physical and transition risks considering scenario analysis followed by qualitative and quantitative impact analysis. This analysis covers our direct operations in India and upstream value chain segment (critical suppliers) in India, USA, and China.

3.1.1. Overview of climate-related Physical risks

As part of our climate physical risk assessment, we have mapped our critical facilities — including API manufacturing units, formulation plants, R&D centers, and corporate offices — using geographic coordinates to evaluate site-specific exposure to climate risks. The assessment covers our facilities located in Vadodara, Panelav, Panchdevla, Jarod, Karkhadi, Sikkim, Pithampur, Mumbai, and Hyderabad, which span both tropical and temperate climatic zones.

The acute physical risks arising from extreme weather events, include:

- Extreme heat, which may affect workforce productivity and increase cooling demand
- Cyclones and high wind events, which could compromise infrastructure integrity and disrupt supply chain logistics
- Riverine and flash floods, which may damage low-lying facilities and interrupt transportation routes
- Landslides, particularly in Sikkim, where access routes and logistics continuity are vulnerable

The chronic physical risks are evaluated in line with IPCC SSP-RCP scenarios (SSP1-2.6, SSP2-4.5, SSP5-8.5) across 2030, 2040, and 2050, focusing on:

- Changes in Temperature, and its implications for HVAC energy demand, product stability, and workforce safety
- Cumulative precipitation trends, which could increase flood frequency and alter groundwater recharge
- Water stress, which may challenge our production processes and utility systems dependent on reliable freshwater supply

Physical risks - Climate scenarios:

A comprehensive physical risk scenario analysis is conducted using three combined climate scenarios - Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs) - as outlined in the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report. The selected scenarios SSP1-2.6, SSP2-4.5, and SSP5-8.5, represent a broad spectrum of possible future socio-economic developments and corresponding greenhouse gas concentration trajectories, ranging from ambitious mitigation efforts to high-emission pathways (Refer Table 10). This range enables the study to capture varying degrees of climate change impacts and uncertainties, reflecting diverse potential global futures including sustainable development, a middle-of-the-road progression, and fossil-fueled growth. The assessment considers multiple future time horizons to align with strategic planning needs, defining short-term as 2030, medium-term as 2040, and long-term as 2050. This temporal framework facilitates an evaluation of the timing and severity of physical climate risks relevant to the company's operations and strategic decision-making.

3.1.2. Overview of climate-related Transition risks

We are exposed to a range of transition risks associated with the shift to a low-carbon economy, which may impact our operations, value chain, and long-term financial performance. Among all identified transition risks, carbon pricing is considered material because it is highly unpredictable, varies across jurisdictions, and cannot be fully mitigated through existing operational measures. Unlike other transition risks where we have initiated mitigation actions (e.g., renewable energy adoption, energy efficiency upgrades, etc.), the financial impact of carbon pricing remains difficult to offset, making it important to be considered for scenario analysis.

- Policy and Legal Risks: We anticipate that the introduction of carbon taxes and carbon pricing mechanisms could be a material risk for our business, leading to higher operating costs over the years across our energy-intensive manufacturing units in Vadodara, Panelav, and Karkhadi, and raw material procurement costs from carbon-regulated countries. As a pharma company with significant export operations to the EU and USA, we face exposure to evolving regulations, increasing our compliance and reporting costs and impact our eligibility to serve regulated markets.
- Technology Risks: Transitioning to low-carbon technologies such as renewable energy integration and HVAC efficiency upgrades will require high capital expenditure across our manufacturing and cold chain logistics operations.
- Market Risks: Our key customers, especially in global markets including Europe and USA, are setting strict Scope 3 GHG reduction targets. Non-compliance with these requirements could lead to the loss of export orders if our supply chain is deemed carbon-intensive, posing a significant risk to our downstream product sales and long-term customer relationships. Additionally, there is an accelerated growth of sustainable pharmaceutical packaging globally which is projected to triple by 2034. Failure to align with this trend may lead to loss of market share, higher compliance costs, and reputational risks, while early movers gain competitive advantage.
- Reputation Risks: With our publicly disclosed sustainability commitments, failure to meet net-zero or low-carbon transition targets could impact our trustworthiness with investors and regulators. It could also weaken our ESG ratings and brand equity, making it harder to attract

and retain skilled talent in our research and manufacturing divisions. For a consumer-facing and export-oriented pharma business like ours, maintaining stakeholder confidence is critical to sustaining growth.

Transition risk – Climate scenarios

For the transition risk scenario analysis, the NGFS Net Zero (Orderly) and NGFS Delayed Transition (Disorderly) scenarios are considered across the 2030, 2040, and 2050 horizons. These scenarios are selected for their credibility, global comparability, and regional relevance to India's evolving policy and energy landscape, enabling robust assessment of potential impacts from carbon pricing on the company's direct operations and value chain. The Net Zero (Orderly) pathway represents an early and predictable policy response, allowing for gradual decarbonization through planned CAPEX, renewable energy adoption, and efficiency measures. In contrast, the Delayed Transition (Disorderly) pathway tests resilience under late, abrupt policy action, characterized by steep carbon price escalations, higher volatility in electricity and fuel costs, and accelerated retrofit requirements.

3.1.3. Overview of climate-related Opportunities

We also recognize some business opportunities arising from the shift to low-carbon operations.

- Reduction in cost through renewable energy adoption: Increased reliance on renewable energy sources can help reduce production costs and strengthen our resilience against rising fossil fuel prices.
- Reduction in direct costs due to reduced water usage and consumption: Given the water-intensive nature of pharmaceutical operations, we see an opportunity in reducing our direct operating costs while strengthening relationships with stakeholders by reducing water consumption and improving water stewardship.

3.1.4. Time horizons considered

The effects of climate-related risks and opportunities are assessed across three distinct time horizons: short term, medium term, and long term. These time horizons correspond directly to the planning and scenario analysis horizons used for strategic decision-making and resilience assessment under climate scenarios.

- Short Term: Defined as up to the year 2030. This aligns with our immediate strategic planning horizon, during which near-term climate-related risks and opportunities are expected to influence our operational and financial performance.
- Medium Term: Defined as the period from 2031 to 2040. This horizon reflects the intermediate planning phase, capturing how climate impacts and transition measures may evolve over time, requiring adjustments in our business strategy, investment priorities, and adaptation measures.
- Long Term: Defined as from 2041 to 2050 and beyond. This period covers the long-range strategic outlook, focusing on the enduring effects of climate change and transformational shifts in regulatory, market, and environmental conditions that could affect our company's viability and growth prospects.

3.2. Climate Risk Assessment

3.5.1. Physical Risk Assessment– methodology and results

Physical risk assessment methodology:

Acute risks, defined as those arising from single extreme events or a series of events occurring over a short period, typically weeks or months, include natural disasters such as extreme heat, floods, cyclones, and droughts that can cause immediate and severe disruptions. The assessment of acute risks is conducted using credible data tools and sources (Refer to Table 10: Physical risks – IPCC Climate Scenarios Used

IPCC Combined Climate Scenario	**Estimated Global Warming (°C) by 2081–2100**	**Key Features**
SSP1-2.6	~1.8	• A combined SSP–RCP scenario reflecting a sustainable development pathway (SSP1) with strong mitigation policies (RCP2.6). • Characterized by rapid adoption of renewables, reduced inequality, lower energy demand, and robust international climate cooperation.
SSP2-4.5	~2.7	• A combined SSP–RCP “middle-of-the-road” scenario where socio-economic trends follow historical patterns (SSP2) and mitigation efforts stabilize emissions around mid-century (RCP4.5). • Represents moderate challenges for both mitigation and adaptation.
SSP5-8.5	~4.4	• A combined SSP–RCP scenario driven by fossil-fuel intensive development (SSP5) paired with very high radiative forcing (RCP8.5). • Features rapid economic growth, high energy demand, continued reliance on fossil fuels, and limited climate policy action, leading to severe climate risks.

Table 11). The current levels of extreme climate events including extreme heat, drought risk, flood risk, cyclones, and landslides exposure are identified and assessed at critical company site locations. Key spatial data such as GPS coordinates of operational sites (manufacturing, R&D, and office locations) are mapped to climate zones to pinpoint exposure.

For chronic risks, which consider longer-term environmental trends such as changes in temperature, precipitation changes, and water stress, scenario-wise projections and variability assessments are applied. This involves the use of climate scenarios aligned with IPCC SSP-RCP combinations (SSP1-2.6, SSP2-4.5, and SSP5-8.5) to evaluate expected changes across future time horizons (2030, 2040, 2050). Specialized climate analytical tools and various datasets (refer to Table 10: Physical risks – IPCC Climate Scenarios Used

IPCC Combined Climate Scenario	Estimated Global Warming (°C) by 2081–2100	Key Features
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Table 11), are utilized to quantify deviations from historical climate conditions and assess risks such as cumulative precipitation changes and water stress impacts over time.

Recognizing that acute extreme events can contribute to or amplify chronic climate challenges, the acute risks identified at each site are systematically mapped to broader chronic risk categories. This linkage facilitates a more holistic impact analysis by connecting short-term extreme events to evolving long-term climate trends, aiming to develop strategic responses that address both immediate shocks and persistent environmental shifts affecting operations and supply chains.

<u>Physical Risk Assessment Results - Key findings:</u>

- The physical risk assessment shows that all of our operational locations in India are exposed to multiple acute and chronic physical climate risks, with extreme heat, drought, and flooding emerging as the most material hazards. Our core R&D and manufacturing hubs in Gujarat—Vadodara, Panelav, Panchdevla, Jarod, and Karkhadi—face consistently high exposure to extreme heat and drought, creating risks of increased cooling demand, higher operating costs, and workforce productivity challenges. These sites also show moderate exposure to riverine flooding, which could disrupt production continuity. The formulations facilities in Jarod, Pithampur, and Sikkim are each vulnerable to location-specific risks: Pithampur to extreme heat and drought; Sikkim to riverine flooding, landslides, and wind hazards, making it a multi-hazard hotspot. Hyderabad (R&D) faces elevated heat and drought risk with moderate flood exposure. Meanwhile, our corporate office in Mumbai, while not production-critical, is exposed to high

riverine and coastal flooding, cyclones, and storm surge, which could disrupt business continuity and administrative operations.

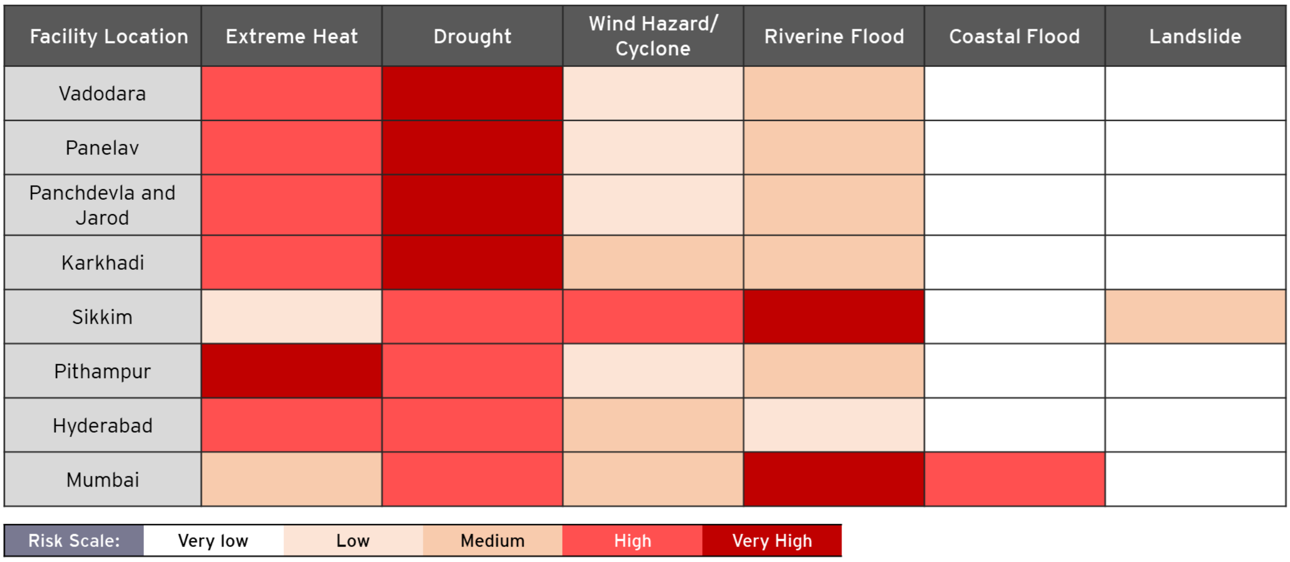
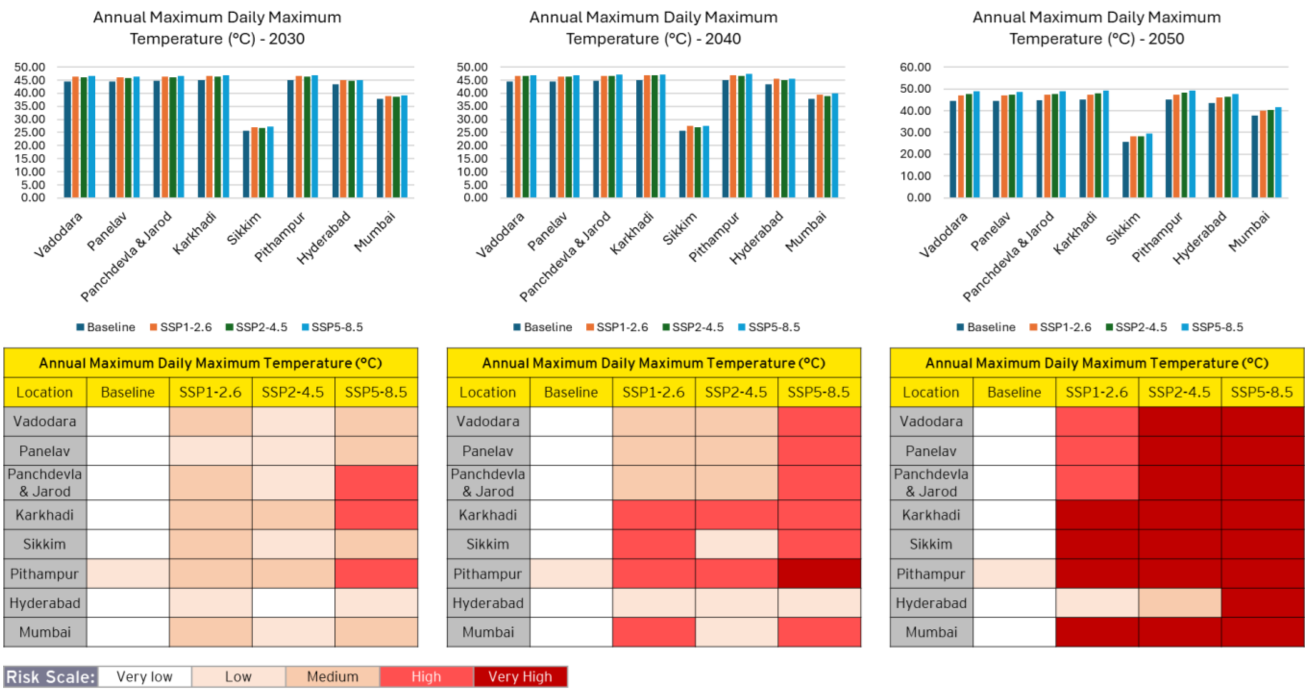


Figure 2: Acute Risks exposure analysis for Alembic's operational locations

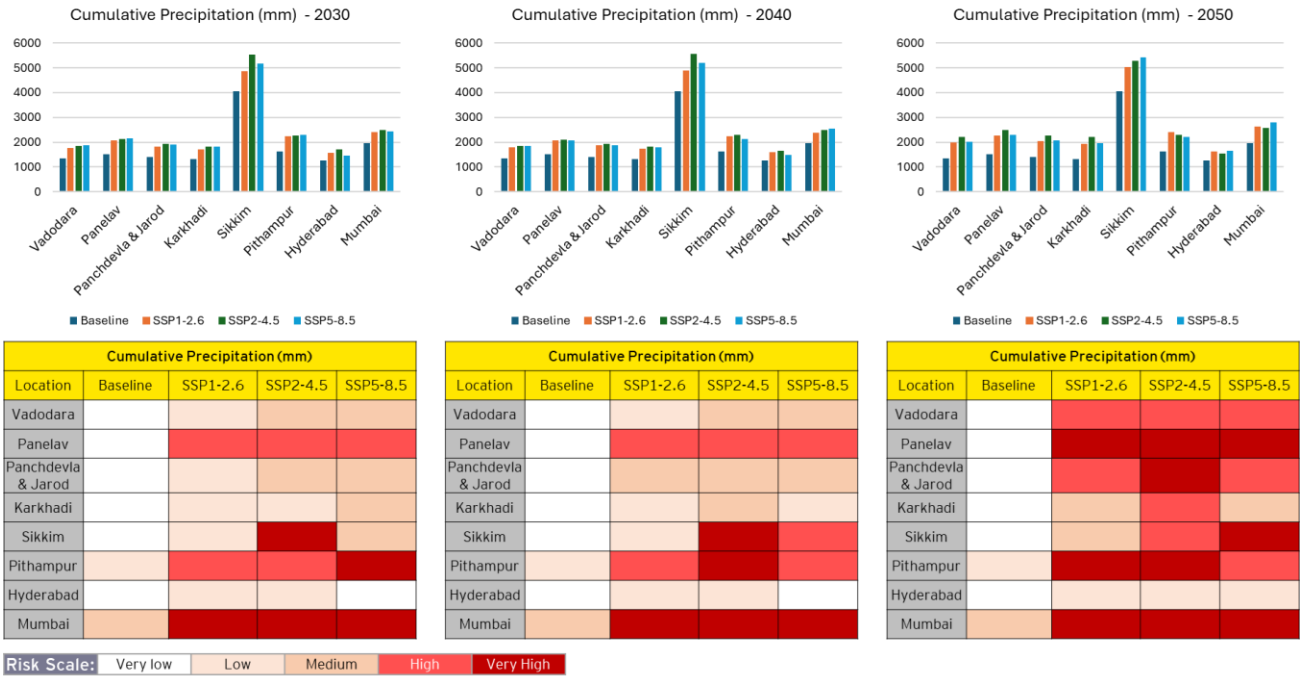
- Looking ahead, climate projections indicate that five out of eight locations, including Pithampur and the Gujarat cluster, could enter the "Very High" heat risk category by 2050, with annual maximum temperatures exceeding 47°C under high-emission scenarios. This escalation creates significant risks for occupational health, process stability, and energy demand for cooling. Our R&D facility in Hyderabad also faces critical exposure to extreme heat, while Mumbai, though historically moderated by coastal influence, is projected to move into the high-risk heat category by mid-century.



(Note: The Risk scale uses IMD-based, region-specific Temperature thresholds for Plains, Coastal, and Hilly areas.)

Figure 3: Risk exposure from Changing Temperatures

- Varying precipitation levels under all climate scenarios are expected to become more extreme, more variable, and less predictable, thereby, adding further stress to our operations. Flooding risks are expected to intensify across tropical sites such as Panelav, Pithampur, Mumbai, etc., while Sikkim faces increased flash flood and landslide risks due to sharp rises in rainfall intensity. The Gujarat sites are projected to shift from medium to high precipitation risk in high-emission pathways, creating compounding risks of both flooding and waterlogging.



(Note: The risk scale uses climate-zone specific thresholds, that is, Temperate and Tropical, to reflect differing rainfall climatologies.)

Figure 4: Risk exposure from Changing precipitation patterns

- Water stress remains a persistent and systemic challenge. Vadodara, Panelav, Panchdevla, Karkhadi, and Hyderabad are projected to stay in the “Very High” stress category under all scenarios, underscoring structural risks to process water availability and long-term business continuity. Pithampur’s stress levels are also expected to worsen from medium to high, while only Mumbai and Sikkim remain relatively insulated with low to very low stress. These findings emphasize that water scarcity will remain a chronic constraint, requiring site-specific adaptation strategies rather than reliance on broader mitigation trends.

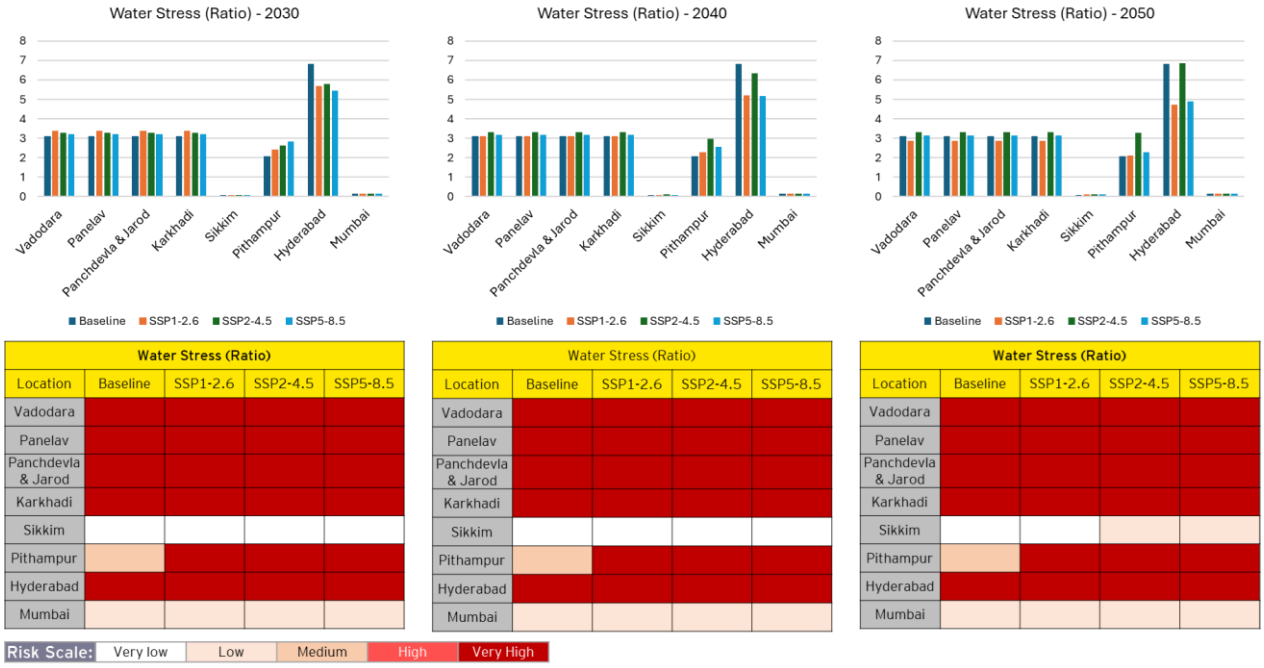


Figure 5: Risk exposure from Water stress

Climate-related physical risks vary across our operations but remain significant. To safeguard production and workforce safety, we prioritize site-level adaptation in Gujarat, Pithampur, and Hyderabad, while building resilience at flood- and landslide-prone sites in Sikkim and Mumbai. These actions are critical to ensuring long-term operational continuity and stakeholder confidence.

3.5.2. Transition Risk Assessment– methodology and results

<u>Transition risk assessment methodology:</u>

The transition risk assessment evaluates the potential impacts of carbon pricing on our business operations and upstream supply chain. Using the specialized climate analytical tool, the analysis models expected evolution of carbon prices and associated emissions trajectories for the pharmaceutical sector in India—covering both our direct operations and value chain—under the NGFS Net Zero (Orderly) and NGFS Delayed Transition (Disorderly) scenarios across the 2030, 2040, and 2050 horizons. To capture cross-border exposure, the assessment is also extended to the USA and China, where our key critical suppliers are located, enabling an integrated view of how varying carbon pricing trajectories in these jurisdictions could influence procurement costs, supplier operations, and overall supply chain resilience.

<u>Transition Risk Assessment Results – Key findings</u>

- The assessment highlights that carbon pricing trajectories in India, the USA, and China could significantly influence our operating expenditure, supply chain costs, and export market competitiveness. In India, early carbon pricing under a Net Zero pathway would allow us to spread investments in efficiency and renewable energy over time, while a delayed response may expose us to abrupt and costly retrofitting needs later.
- In the United States, we face the dual challenge of stricter domestic decarbonization standards and the risk of cross-border measures such as carbon-adjusted trade barriers, which may affect the competitiveness of our exports. At the same time, higher embedded carbon costs from US suppliers are likely to increase our input costs.

- In China, rapid decarbonisation of the pharmaceutical supply chain presents risks of volatility in pricing and reliability of key raw materials. During the transition, temporary supply shortages may lead to reliance on alternative, more carbon-intensive sources, thereby increasing the effective carbon content of our imports.

The risks of inaction far outweigh the costs of a proactive Net Zero transition. A phased transition allows planned investments and supplier engagement, while delay exposes us to higher carbon costs and disruptive impacts. Accelerating energy efficiency, renewable sourcing, and low-carbon innovation in India, alongside supplier alignment in the US and China, will build resilience and strengthen competitiveness as carbon performance becomes a key differentiator.

The graphs shown below in Figure 6, Figure 7, and Figure 8 depict the expected evolution of emissions and carbon pricing under the two scenarios across 2030-, 2040-, and 2050-time horizons for India, USA, and China.

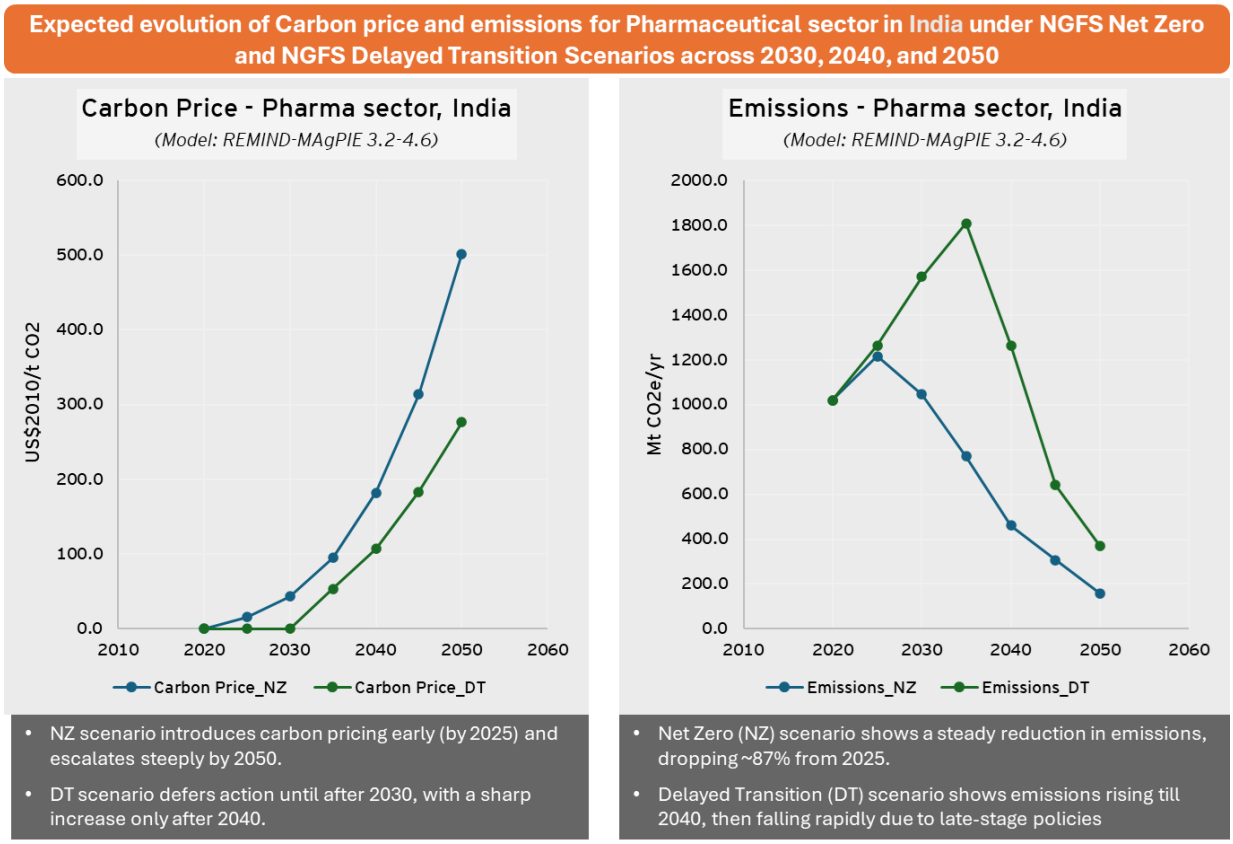
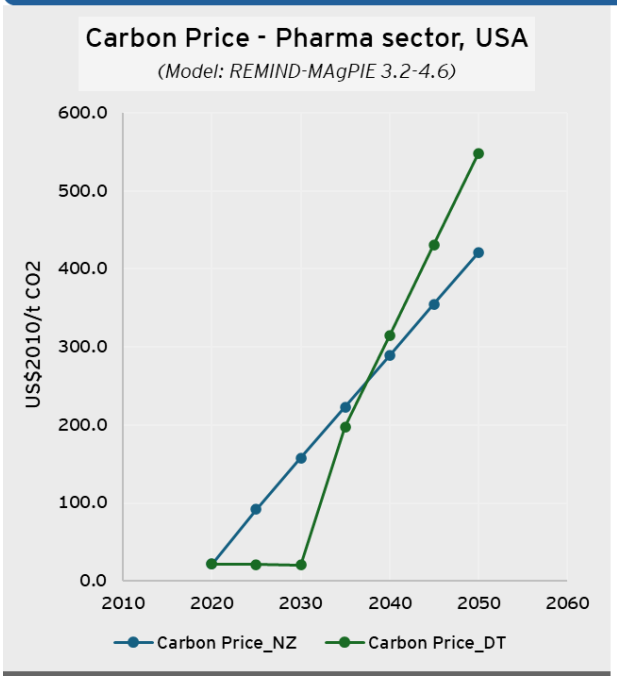
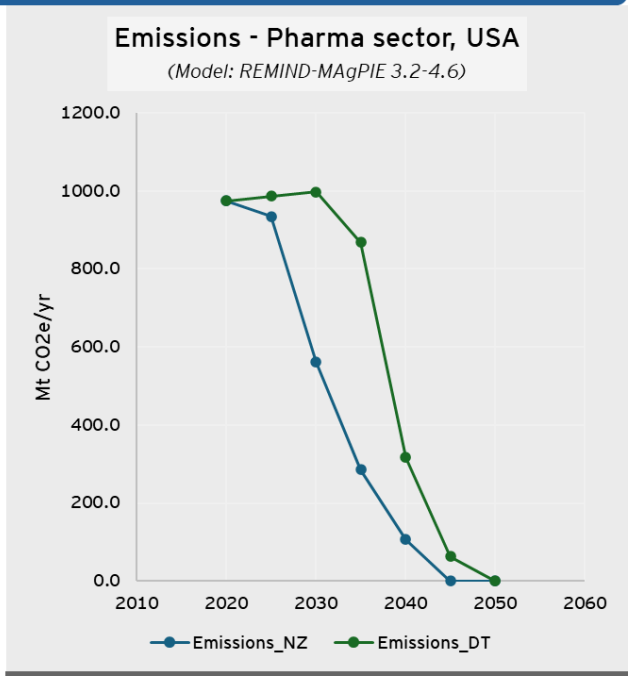


Figure 6: Expected evolution of Carbon price and emissions for pharmaceutical sector in India

Expected evolution of Carbon price and emissions for Pharmaceutical sector in USA under NGFS Net Zero and NGFS Delayed Transition Scenarios across 2030, 2040, and 2050



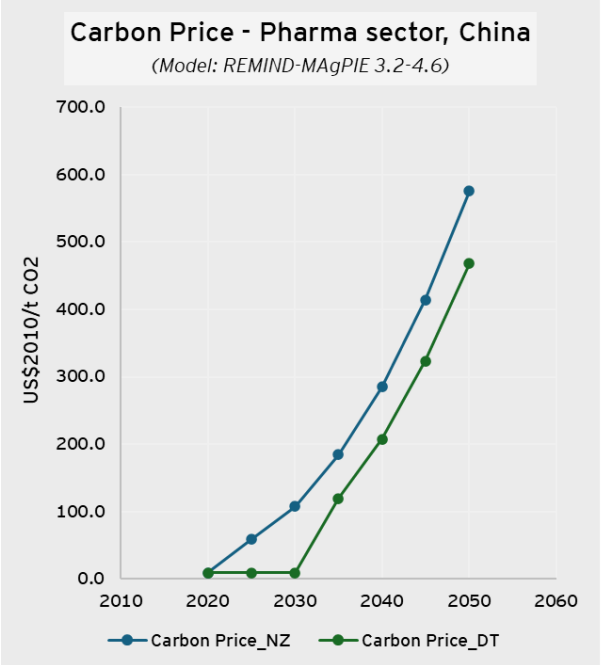
- Under DT, carbon price overtakes NZ by 2030, indicating aggressive policy correction post-2030 due to delayed mitigation.



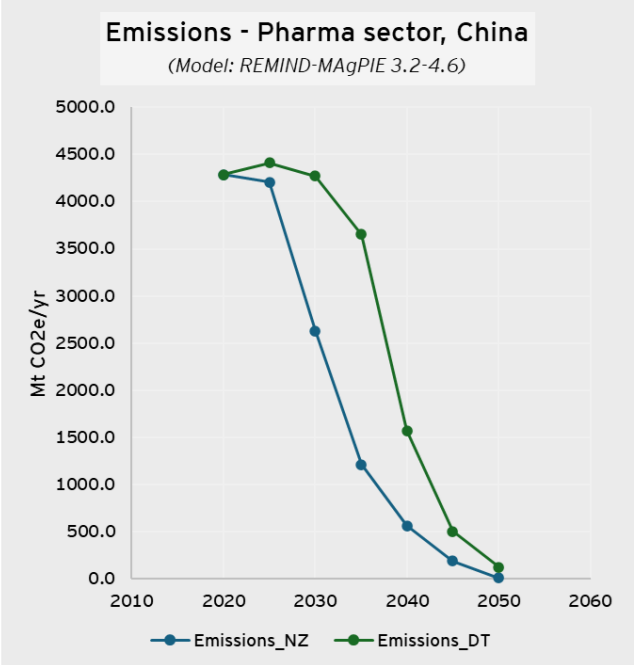
- NZ scenario sees a steady drop from 2020 onward; DT scenario sees a delayed but very steep decline post-2035.

Figure 7: Expected evolution of Carbon price and emissions for pharmaceutical sector in USA

Expected evolution of Carbon price and emissions for Pharmaceutical sector in China under NGFS Net Zero and NGFS Delayed Transition Scenarios across 2030, 2040, and 2050



- Under NZ, carbon price grows steeply by 2050, indicating strong early intervention. Under DT, the carbon price stays low until 2030, then rises sharply post-2035.



- Emissions drop very sharply under NZ. Even under DT, China manages to cut emissions by ~97%, though the peak occurs ~2030.

Figure 8: Expected evolution of Carbon price and emissions for pharmaceutical sector in China

3.3. Summary of Risks and Opportunities in our Business Model and Value Chain

3.2.1. Current and anticipated effects on business model and value chain

Our business model primarily involves formulations, API manufacturing, and Research and Development. The identified physical risks, including extreme heat, floods, landslides, droughts, cyclones, increasing temperatures, changing precipitation patterns, and water stress; and the transition risks due to carbon pricing, evolving regulatory requirements, transition to renewable energy, changing customer preferences, and stakeholder expectations, have the potential to impact our direct operations and value chain. The current and anticipated effects of these physical and transition risks and opportunities are summarized below and detailed out in Table 9 under Appendices section.

Physical risks:

- **Extreme Heat and Changes in Temperature:** Energy demand and HVAC costs have increased by ~10–20%, stressing equipment and raising operational expenses. Rising temperatures may further increase electricity use, compromise product quality of heat-sensitive APIs/solvents, and heighten occupational health risks.
- **Floods and Changing Precipitation patterns:** Flash floods in Sikkim caused more than 100 days of operational disruption, minor asset losses, supply chain interruptions, and absenteeism. Increasing precipitation and subsequent floods in coming years may escalate repair and/or recovery costs, cause prolonged logistics disruptions, and impact workforce accessibility.
- **Drought and Water Stress:** No significant water shortages have been observed so far due to preparedness measures in place. Sites reliant on groundwater (e.g., Sikkim, Vadodara) may face shortages in longer run, and regulatory scrutiny and supplier exposure in water-stressed regions could drive cost escalations and production risks.
- **Cyclones:** Limited direct impacts have been experienced due to cyclones, with some logistics delays reported at our Vadodara facility. Increasing cyclones may cause structural damage, power outages, production downtime, and logistics disruptions in locations close to coastline such as Mumbai and the Gujarat cluster.
- **Landslides:** Our Sikkim facility is significantly impacted with frequent operational disruptions due to road blockages affecting employee commute and transport continuity. Intensifying rainfalls may worsen landslide risks in future, extending downtime and further straining supply chains.

Transition Risks:

- **Carbon Pricing**: Currently, there are no direct impacts on our operations in India due to absence of national carbon pricing. Future policies such as Emissions Trading Scheme (ETS), procurement mandates, etc., and global carbon adjustments may increase costs through energy price hikes, supplier pass-throughs, or export barriers to carbon-regulated regions such as the European Union (EU).

Opportunities:

- **Renewable Energy Adoption:** Currently, 39% of our electricity demand is met through renewables, ensuring stable supply via captive solar and hybrid agreements. With our aim for

scaling to 80% renewable electricity, we expect reduction in long-term costs and improved energy security.

- **Reduced Water Usage & Consumption:** Our ongoing water efficiency measures support progress towards our target of water neutrality by FY'27. We anticipate that improved operational water efficiency will lower the operational costs and strengthen resilience in water-stressed regions such as Gujarat cluster, Pithampur, and Hyderabad.

3.2.2. Geographic, operational and asset-level concentrations of risk

Significant physical climate risks are anticipated to impact our key R&D and formulations facilities situated in Vadodara (including the Panchdevla and Jarod sites) and Sikkim. These sites are particularly vulnerable to the effects of extreme weather events, including changes in temperature, flooding, changing precipitation patterns, landslides, and water stress that could affect research activities and pharmaceutical manufacturing processes.

Transition risks are expected to manifest over differing time horizons across our global footprint. In the long term, India—home to our primary direct operations—is expected to experience regulatory, market, and technology shifts associated with the low-carbon transition. Meanwhile, medium-term transition risks are anticipated to impact critical supplier regions in the USA and China. These include evolving climate-related regulations and carbon pricing mechanisms that could affect supply chain continuity, costs, and compliance requirements.

3.4. Financial Effects

3.4.1. Current and anticipated financial impacts on position, performance, and cash flows

The financial impact analysis is undertaken for the 'high' category climate risks identified through the risk prioritization process (explained in Section 4.2), considering both their likelihood and potential magnitude of effect at each operational location.

Among the physical hazards, the Vadodara R&D facility emerges as the most affected by extreme heat in the current climate. Without targeted mitigation interventions, this facility is projected to face escalating adverse impacts from rising temperatures across all assessed time horizons, posing sustained threats to workforce health, operational continuity, and productivity.

Similarly, the Sikkim formulations plant is currently subject to high exposure from flooding and landslides. In future decades, the facility is expected to experience increasing variability in precipitation patterns, exacerbating flood risk, disrupting supply chain logistics, and raising adaptation and maintenance costs.

In addition to physical hazards, the company is likely to experience the financial implications of evolving carbon pricing mechanisms. While India's current carbon pricing regime remains limited, policy developments in our critical supplier geographies—notably the USA and China—could impose additional costs on imports, raw material procurement, and manufacturing inputs, thereby affecting operational margins and cost structures.

The analysis also considers quantified benefits arising from identified climate-related opportunities. Transitioning to renewable energy sources across facilities is expected to yield long-term cost savings through reduced reliance on conventional fossil-fuel-based energy. Similarly, implementing water efficiency measures is expected to contribute to both operational savings and enhanced

resilience against water scarcity risks, particularly important for our water-intensive pharma manufacturing processes.

Table 4: Financial impacts due to physical risks

Current Financial impacts on Alembic business	Anticipated Financial impacts on Alembic business
Extreme heat and changing temperatures	
1. Increase in OPEX due to increased cooling requirement Extreme heat conditions at Vadodara raise the operational electricity demand for cooling by 20%, based on the facility's annual consumption profile where 50% of electricity use is cooling-related. At an average tariff of ₹ 10.5/kWh, this results in an estimated additional annual operating expense as 0.09% of the total revenue**.** **2. Increase in HVAC maintenance and associated CAPEX due to increase cooling load** Rising ambient temperatures are expected to increase the operational load on HVAC systems, resulting in higher wear and tear and more frequent servicing needs. Based on current HVAC maintenance expenditure and an estimated 10% rise in costs attributable to increased stress on cooling equipment translates to an additional annual financial impact as ~0.001% of the total revenue.	Under the chronic risk of changing temperatures, with acute risks linked to extreme heat, Alembic's facility at Vadodara is projected to experience rising financial impacts over time. • 2030 – More frequent extreme-heat days may increase chiller load and degrade COP, raising electricity use and maximum demand charges. The overall financial impact is estimated to increase from 0.13% to 0.15% of the total revenue by 2030 under the three climate scenarios - SSP1-2.6, SSP2-4.5, and SSP5-8.5. • 2040 – There may be step-up CAPEX likely for additional chiller capacity, heat-rejection upgrades, to contain rising OPEX. The total financial impact may escalate to ~0.17%–0.21% of the total revenue. • 2050 –Persistent high maximum temperatures may lead to accelerated HVAC asset wear/shorter life and larger replacement CAPEX cycles. Also, grid stress may further raise backup power fuel/maintenance costs. There could also be need for added buffer inventory for temperature-sensitive materials elevating carrying costs and lengthening the cash conversion cycle. By 2050, the anticipated impacts due to changes in temperature may translate into financial impact of around 0.25%–0.49% of the total revenue. *Key assumptions:* • *Number of working days in a year = 365* • *Revenue projections for 2030, 2040, and 2050 are based on a CAGR of 4.5% under Business-as-Usual scenario.* • *Increase in the No-work days is considered based on the climate exposure analysis for changes in temperature across three climate scenarios over 2030, 2040, and 2050.* • *No additional adaptation measures factored in, assuming a Business-as-Usual scenario.*
Floods and Changing precipitation	
1. Loss in revenue due to lost work days Flood-related disruption at the Sikkim formulations facility, results in 105 no-work days in the year, leading to a revenue loss of 0.05% of the total revenue from operations. This estimate is based on the facility's annual turnover, pro-rated to the number of affected days. **2. Increase in CAPEX for renovation requirement of building(s)** Building damage from flood events results in investment of around ₹ 2 crore; however, with full insurance coverage for this asset class, no additional CAPEX outflow is done for repairs. **3. Increase in OPEX due to sourcing utilities from secondary sources** Extended flood disruptions require running diesel generators (DGs) to maintain critical operations. Based on annual energy demand,	In the future, the Sikkim formulations facility is projected to face rising financial exposure from flooding and changing precipitation patterns, with climate models indicating significant increases in cumulative rainfall across scenarios. The financial impact due to loss in revenue due to lost workdays, as flooding disrupts site operations, employee access, and logistics, under the three climate scenarios has been estimated. • 2030 Horizon: With an expected increase in hazard exposure, the number of no-work days is projected to rise to 134 days, resulting in an anticipated financial impact of ~0.061% - 0.064% of the total revenue from operations. • 2040 Horizon: With no-work days projected at 135, the anticipated financial impact may be experience in the range of 0.061%-0.065% of the total revenue. • 2050 Horizon: By 2050, under the same trend, the flood-driven disruptions are expected to cause 141 no-work days, translating into an anticipated financial impact of ~0.063%-0.068%.

duration of disruption, and DG operating costs, an increased OPEX of ~0.0002% is estimated in the affected year.	<u>*Key assumptions:*</u> • *Number of working days in a year = 365* • *Revenue projections for 2030, 2040, and 2050 are based on a CAGR of 4.5% under Business-as-Usual scenario.* • *Increase in the No-work days is considered based on the climate exposure analysis for changes in precipitation patterns across three climate scenarios over 2030, 2040, and 2050.* • *No additional adaptation measures factored in, assuming a Business-as-Usual scenario.*
Landslides	
1. Loss in revenue due to lost work days Landslide disruptions cause three no-work days in the year resulting in a revenue loss of ~0.001% of the total revenue.	The Sikkim formulations facility is projected to face increasing financial exposure from landslides, causing site disruptions, preventing employees from accessing the facility, interrupting logistics, and ultimately leading to lost workdays and reduced revenue. • 2030 Horizon: No-work days due to landslides are projected at 4 days, the anticipated financial impact is anticipated at ~0.002%. • 2040 Horizon: No-work days remain at 4 days, but with increase in revenue at 4.5% CAGR, the financial impact remains at ~0.002% of the total revenue. • 2050 Horizon: Under continued revenue growth, the no-work days remain at 4 days based on increasing exposure which translates into financial impact of ~0.002%. <u>*Key assumptions:*</u> • *Number of working days in a year = 365* • *Revenue projections for 2030, 2040, and 2050 are based on a CAGR of 4.5% under Business-as-Usual scenario.* • *Landslides are expected to become more frequent as precipitation levels rise in the future. Therefore, increase in the No-work days is considered basis the climate exposure analysis for changes in precipitation patterns for three climate scenarios over 2030, 2040, and 2050.* • *No additional adaptation measures factored in, assuming a Business-as-Usual scenario.*

Table 5: Financial impacts due to transition risks

Current Financial impacts on Alembic business	**Anticipated Financial impacts on Alembic business**
Carbon pricing	
1. **Increase in direct costs due to carbon pricing** India currently does not impose an explicit carbon tax or carbon pricing on industrial emissions. While indirect measures such as fuel excise taxes may contribute an implicit carbon cost, there is no direct carbon price exposure for the Scope 1 and 2 emissions in our domestic operations. Therefore, in the current reporting period, the company does not incur any direct financial cost from carbon pricing, as these mechanisms have not been applied to emissions from its operations.	Under a Business-As-Usual (BAU) scenario where Scope 1 and 2 emissions scale in line with revenue growth (4.5% CAGR), we anticipate facing significant transition risk from potential carbon pricing in India. Using NGFS scenarios, the direct cost exposure is projected by multiplying total emissions with the scenario-specific carbon price. Under the *Net Zero* pathway, costs rise sharply from ~1.5% of the total revenue in 2030 to ~7.9% in 2040 and ~27% by 2050, reflecting both revenue-linked emissions growth and steep carbon price escalation. Even under a *Delayed Transition* pathway, where carbon pricing is initially absent, costs reach ~4.6% in 2040 and ~15% in 2050 once policy adjustments are introduced. The analysis highlights substantial long-term financial exposure to carbon pricing, underscoring the need for early abatement strategies and renewable energy integration to mitigate transition risks.

	Overall, it is implied that Carbon pricing could raise costs to as much as 7–27% of revenues by mid-century, threatening the competitiveness of our low-margin, export-driven model. Early investment in decarbonisation is therefore essential to avoid financial shocks, protect market access, and strengthen long-term resilience. *Key Assumptions:* • *Emissions are taken from a Business-as-Usual (BAU) pathway (i.e., assuming no major mitigation actions).* • *Carbon prices are expressed in USD 2010 per tCO_2 e, then adjusted for inflation/converted to INR at "current prices."* • *The company bears the full cost burden (i.e., no pass-through to customers).*

Table 6: Financial impacts due to opportunities

Current Financial impacts on Alembic business	**Anticipated Financial impacts on Alembic business**
Reduction in Cost through Renewable Energy Adoption	
1. Avoided annual operational costs through renewable energy substitution Th renewable energy adoption across our facilities results in estimated avoided costs of ~0.7% of the total revenue, reflecting the substitution of grid electricity and fossil fuel-based energy with solar and hybrid PPAs.	**Future Projections** • 2030 Horizon: With continued scaling of renewable adoption towards the 80% electricity sourcing from renewable energy target, avoided annual energy costs are projected to reach ~1.6%, driven by reduced dependence on volatile grid tariffs and fossil fuel price fluctuations. • 2050 Horizon: Under the same expansion trajectory, with a target of 90% dependency on RE, the avoided costs are projected to rise sharply to ~8% of the revenue, delivering sustained long-term financial benefits and improving energy security across critical manufacturing and R&D operations. *Key Assumptions:* • *Renewable energy adoption scales in line with our climate transition plan, targeting 80% electricity share by 2030 and 90% expansion by 2050.* • *Electricity tariffs are assumed to remain constant (conservative case), meaning the financial savings estimates are driven entirely by displacement of grid/fossil fuel purchases.* • *Annual avoided costs are calculated based on energy substitution, renewable PPAs, and avoided fossil fuel use.* • *No additional policy incentives or carbon pricing benefits are included in this base calculation; therefore, actual savings may be higher if such measures are implemented in future.*
Reduction in Direct Costs due to Reduced Water Usage and Consumption	
1. Reduction in OPEX from improved water efficiency Implementation of advanced water management practices around recycling reduced freshwater consumption across sites, resulting in direct cost savings. In FY'2025, this translated into savings of 0.03% of the total revenue, based on reduced freshwater withdrawal multiplied by the average cost of sourcing water.	The financial impact due to reduced water consumption has been estimated under the Business-as-Usual (BAU) scenario, considering efficiency gains achieved through water recycling measures. • 2030 Horizon: With efficiency improvements and target of achieving 85% recycling rate, projected annual savings continue to remain ~0.04% of the revenue. • 2040 Horizon: Considering a targeted recycling rate of 88% with constant water tariffs, annual savings are projected at ~0.07%. • 2050 Horizon: By 2050, savings are expected to increase to ~0.1%, reflecting both avoided freshwater costs and resilience against higher water stress in key geographies.

	Key assumptions: • *Water tariffs escalate over time based on inflation and regulatory trends.* • *Business-as-Usual water consumption is assumed to grow in line with production, while recycling improvements reduce reliance on freshwater sources.* • *Water neutrality targets are met progressively, with higher recycling and reuse rates factored into the projections.* • *No additional adaptation measures beyond the stated recycling practices under water neutrality strategy are considered.*

3.5. Strategy and Decision-Making

3.3.1. Responding to Climate-Related Risks and Opportunities

We recognize that climate-related risks such as increasing regulatory pressure on carbon emissions, rising energy costs, and physical climate risks, are material to our long-term operations. In response, we embed sustainability into our core strategy, with a clear roadmap to enhance energy efficiency, increase renewable energy adoption, and achieve net-zero emissions by 2050, aligned with the 1.5°C pathway and the Science-Based Targets initiative (SBTi).

3.3.2. Current and Anticipated Changes to the Business Model

- **Resource Allocation:** ~INR 35.24 crore is invested in environmental CAPEX in FY 2024–25 for energy-saving and sustainability projects, with further allocation planned for renewable energy expansion and water efficiency measures.
- **Operational Transition:** Fossil-fuel dependence (currently 44% coal and 30% grid electricity in the energy mix) is being systematically reduced through substitution with renewable energy. Renewable energy now accounts for 39% of total energy demand, which is expected to reach more than 60% by the end of first quarter of FY'26 and is targeted to increase to 80% of electricity demand in the near term.
- **Decarbonization of Supply Chain:** Engagement with suppliers on raw material efficiency and Scope 3 emission tracking is expanding, given that value chain activities account for ~79% of our total GHG footprint (6.02 lakh tCO_2 e in FY 2024–25).

Additionally, appropriate resource allocation is done for the next few years over the near-term to adjust and adapt to the effects of climate change. Of the total planned investments for sustainability related initiatives in the company, the majority is directed toward renewable energy transition (nearly 70%), supported by decarbonization, adaptation, and governance measures.

- For Scope 1 decarbonization, around 20% of the total investment is directed toward transitioning coal-based boilers to green fuel, including agro-waste–based technologies, by 2030.
- On Scope 2 emissions, with ~70% planned investments, we aim to increase our renewable energy mix through key projects such as rooftop solar across extended to few other locations by 2029 (7% allocation), 12% for a 66 KVA substation at one of our Formulations facility by 2027, and 50% allocated to solar park development or a PPA agreement for another Formulations facility.

- To tackle Scope 3 emissions, approximately 10% of the investment is dedicated to initiatives such as electrifying employee commute, SAP-enabled sustainability data management, and enhanced life-cycle assessments (LCA) by 2030.
- In terms of adaptation and resilience, we plan to invest in water neutrality through the development of recharge wells and an afforestation program.

3.3.3. Mitigation and Adaptation Efforts

Direct mitigation and adaptation efforts
• **Energy Efficiency:** Implementation of measures such as conversion to centrifugal chillers, HVAC and cooling system optimization, VRF air conditioners, IE4 motors, and lighting automation. At the Karkhadi site alone, initiatives reduced power consumption by ~28,200 kWh/day, delivering annual savings of ~INR 816 lakh. • **Renewable Energy Deployment:** Commissioning of an additional 12 MW solar plant, increasing total capacity to 24 MW, supplemented by hybrid Power Purchase Agreements (PPAs). • **Process Optimization:** Heat pump adoption for hot water generation, achieving up to 50% reduction in boiler steam consumption, resulting in annual savings of INR 63 lakh. • **Air Emission Controls:** Installation of continuous emission monitoring systems (CEMS), use of low-sulphur coal, ESP/bag filters, and multi-stage scrubbing across units. • **ODS and Refrigerant Management:** Systematic monitoring and maintenance of cooling systems to minimize leakage of refrigerants with high Global Warming Potential (GWP), such as R22, R134A, and HFC blends. • **Water management and security:** Measures such as development of water recharge wells with incremental ground water recharge capacity of ~19200 KLD, 81% water recycling, and implementation of Zero Liquid Discharge (ZLD) across some of our sites, have resulted in achieving 85% of water neutrality by FY 2025.
Indirect mitigation and adaptation efforts
• **Supplier Engagement:** Efforts are underway to decarbonize the supply chain, particularly in high-impact categories such as purchased goods and services (accounting for 4.25 lakh tCO_2 e), upstream logistics, and capital goods. • **Value Chain Integration:** Opportunities for resource efficiency through effluent segregation and waste-to-resource conversion (e.g., solvents, used oil, catalysts, plastic waste, etc.) are being scaled, reducing costs and improving circularity. • **Market Adaptation:** By shifting towards low-carbon products and green power sourcing, the company is strengthening its positioning in export markets, mitigating risks from carbon border adjustments and buyer-driven ESG requirements.

3.3.4. Climate Transition Plan and Targets

We have developed a structured climate transition plan aimed at aligning business operations and value chain activities with a low-carbon future. Recognizing the growing policy momentum on carbon pricing and the pharmaceutical sector’s contribution to Scope 1, 2, and 3 emissions, the plan

provides a clear pathway to manage transition risks while seizing opportunities linked to decarbonization.

The transition plan prioritizes reducing Scope 1 and 2 emissions from manufacturing and R&D facilities through measures such as process electrification, expansion of on-site and off-site renewable energy, and energy efficiency retrofits. An interim target has been set to source a majority of the electricity demand from renewable sources by 2030, in line with the Government of India's 500 GW renewable capacity target. Efficiency programs targeting HVAC, cold storage, and cleanroom facilities are also being scaled to lower energy intensity per unit of production.

Additionally, we are also actively managing the water resource in our operations with the aim to achieve water neutrality through measures such as recycling, ZLD, reduced dependency on freshwater resources, etc. As of FY 2024-25, we have achieved 85% water neutrality in our direct operations and are working towards reaching 100% by FY 2026-27.

Table 7: Overview of Climate transition plan and targets

<table>
<tr><td colspan="3">Target 1: Achieve net-zero emissions by 2050, with near-term targets to increase renewable electricity share to 80% and reduce energy intensity per unit of revenue.</td></tr>
<tr><td colspan="3">GHG Inventory:
Total emissions for FY 2024–25 were 7.61 lakh tCO_2 e, comprising 21% Scope 1 & 2 emissions and 79% Scope 3 emissions. While Scope 1 and 2 emissions rose due to higher production, Scope 3 reduction opportunities are being prioritized through procurement and logistics strategies.</td></tr>
<tr><td>Assumptions:
Continued policy momentum towards renewable energy adoption in India, declining costs of solar and hybrid PPAs, and increased availability of low-carbon technologies.</td><td>Dependencies:
Access to capital for scaling renewables and technology retrofits, supply chain participation in emissions reduction, and stable regulatory frameworks</td><td>Resourcing of Activities:
Investments are being directed towards environmental CAPEX, renewable energy capacity, and efficiency retrofits.
Dedicated cross-functional sustainability teams oversee implementation, supported by training programs across facilities</td></tr>
<tr><td colspan="3">Target 2: Achieve 100% water neutrality across operations by FY 2026-27, balancing total water consumption with replenishment through conservation, recycling, and recharge initiatives.</td></tr>
<tr><td colspan="3">Water management:
By FY 2024-25, we achieved 85% water neutrality based on the designed recharge well capacities.
81% of the total wastewater generated has been recycled
Most of our sites have implemented Zero Liquid Discharge (ZLD) and are reusing treated water within premises.
Total water withdrawal in FY 2024-25 was 769.2 ML, of which 98% came from freshwater sources
10% increase in water consumption in FY 2024-25, linked to expanded operations</td></tr>
</table>

Assumptions:	Dependencies:	Resourcing of Activities:
• Climate change will continue to intensify hydrological stress across India, increasing variability and scarcity of freshwater • Adoption of advanced water technologies will remain technically feasible and scalable • Regulatory frameworks will increasingly favor sustainable water use and penalize over-extraction	• Access to capital for ZLD, ETP, STP upgrades, and site-level water recharge systems. • Collaboration with local communities and municipalities to implement water replenishment projects.	• Environmental CAPEX dedicated to water technologies, recharge systems, and efficiency retrofits. • Dedicated sustainability and EHS teams responsible for water stewardship across sites. • Training and awareness programs for employees on water conservation practices.

3.3.5. Progress Against Plans

- **Energy savings in FY 2024–25:** 29,143.5 kWh/day across sites through HVAC, process, and lighting optimization. Energy audits, heat pump deployment, and automation upgrades have delivered measurable reductions.
- **Renewable power growth:** Renewable energy share increased from 8% in FY 2022–23 to 39% in FY 2024–25, and anticipated to reach more than 60% in FY 2025-26, a clear step towards our 80% target.
- **Emission reductions:** Despite production-driven increases in Scope 1 and 2, emission intensity improvements have been realized through efficiency measures, and Scope 3 emissions are under structured monitoring.
- **Recognition:** Improved performance secured us a CDP badge in FY 2024–25, reflecting enhanced climate disclosure maturity.

4. Risk Management

Alembic Pharmaceuticals Limited is committed to fostering business resilience through a proactive, structured, and forward-looking approach to risk management. We have adopted a comprehensive Enterprise Risk Management (ERM) framework that incorporates climate-related risks and opportunities as a core element of our decision-making process.

Our risk management process is embedded within the organization's culture, governance, and business practices, ensuring it is tailored to our operational context. It follows a structured approach comprising four key activities: Identification, Assessment, Mitigation, and Monitoring & Reporting. This integrated framework enables proactive management of risks and opportunities, supports informed decision-making, and strengthens business resilience.

4.1. Identification process

The purpose of risk and opportunity identification is to recognize events and conditions that could adversely impact or favour the achievement of business objectives. All identified risks and opportunities are documented in a risk register, which typically includes details such as risk or opportunity description, category, classification, mitigation plan, responsible function/department, and other relevant information.

Management undertakes a comprehensive review across all business areas and functions, including environmental and climate-related aspects, to ensure robust identification process. A range of structured techniques is applied to support this process, including:

- Preliminary Hazard Analysis
- Structured Interviews and Stakeholder Interactions
- Brainstorming Sessions
- Scenario Analysis
- Business Impact Analysis

These methods enable a focused, systematic approach to identifying risks and opportunities, ensuring that both strategic and operational vulnerabilities are addressed.

4.1.1. Inputs and parameters for climate-related risks and opportunities identification

The scope of the climate-related risks and opportunities assessment includes our formulations, API manufacturing, and Research and Development operations spread out across various locations in India. In the upstream of the value chain, critical supply chain locations are also considered for evaluating the climate risks. This also includes transition risks faced by countries like USA and China, where some of our critical suppliers are located.

The climate risks and opportunities are identified through secondary research including peer disclosures such as CDP and TCFD reports, sectoral guidance such as SASB Climate Risk Map, expert consultations, and a specialized tool 'Climate Risks and Opportunities Universe tool' providing a dynamic database of sectoral climate risks and opportunities.

The climate-related risk and opportunity assessment is conducted utilizing a specialized analytical tool platform. This platform encompasses various sources, including scientific publications, global trends, and emerging regulations. The key

data sources used by the platform are shown in Figure 9 and the inputs used for conducting the climate physical risk assessment are shown in Table 10: Physical risks – IPCC Climate Scenarios Used

IPCC Combined Climate Scenario	Estimated Global Warming (°C) by 2081–2100	Key Features
SSP1-2.6	~1.8	• A combined SSP–RCP scenario reflecting a sustainable development pathway (SSP1) with strong mitigation policies (RCP2.6). • Characterized by rapid adoption of renewables, reduced inequality, lower energy demand, and robust international climate cooperation.
SSP2-4.5	~2.7	• A combined SSP–RCP “middle-of-the-road” scenario where socio-economic trends follow historical patterns (SSP2) and mitigation efforts stabilize emissions around mid-century (RCP4.5). • Represents moderate challenges for both mitigation and adaptation.
SSP5-8.5	~4.4	• A combined SSP–RCP scenario driven by fossil-fuel intensive development (SSP5) paired with very high radiative forcing (RCP8.5). • Features rapid economic growth, high energy demand, continued reliance on fossil fuels, and limited climate policy action, leading to severe climate risks.

Table 11. For transition risks, such as carbon pricing, the database considers NGFS models (GCAM 5.3+, REMIND-MAgPIE 3.0 -4.4, and MESSAGEix-GLOBIOM 1.1-M-R12) and SSP models for carbon price and emissions, and actual carbon price using World Bank's carbon pricing dashboard.

The aim of the assessment is to identify the material risks to the key assets of the company based on their location through exposure analysis followed by financial impact analysis of the material risks.

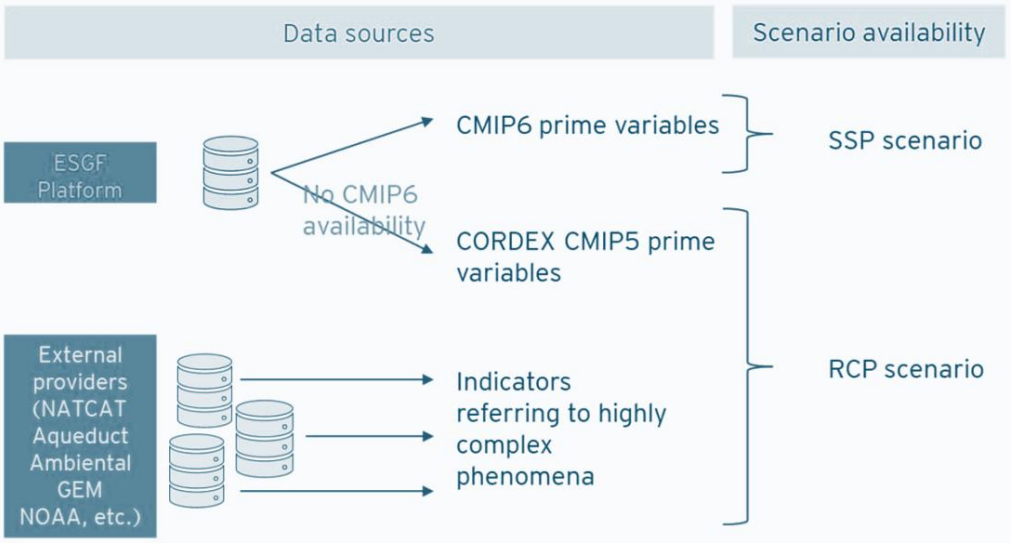


Figure 9: Data sources for climate physical risk assessment

4.1.2. Scenario analysis used in risk identification

We focus on assessing climate-related risks and opportunities through climate scenario analysis which allows to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical, may affect our businesses, strategies, and financial performance over time. The scenario analysis is performed for the key physical and transition risks applicable to our operational assets (refer to section 3.1 for list of physical and transition risks considered). The physical risks are evaluated in line with IPCC SSP-RCP combined scenarios (SSP1-2.6, SSP2-4.5, SSP5-8.5) across near, medium, and long-term time horizons of 2030, 2040, and 2050. For transition risks, the NGFS Net Zero (Orderly) and NGFS Delayed Transition (Disorderly) scenarios are considered across the same time horizons. More details related to scenarios and time-horizons are provided in Section 3 of this report.

The results are consolidated, and consultations are conducted with our key internal stakeholders including personnel from operational sites to understand the impacts of key risks. Furthermore, an assessment of the financial implications of climate-related risks and opportunities is conducted to identify risks and opportunities with significant financial impacts on our business and value chain , as detailed in Section 3.4 of this report.

4.2. Assessment process

Risk assessment involves evaluating the potential impact and probability of identified risks to determine their overall exposure. Each risk is assessed on two key dimensions:

- Impact – the severity of consequences if the event occurs.
- Likelihood – the probability of the event occurring.

The assessment is conducted after considering existing controls, to establish the residual risk level rather than the inherent risk. Based on this evaluation, risks are categorized into low, medium, or high exposure levels. This structured assessment enables management to prioritize risks effectively and allocate resources for mitigation in proportion to the level of exposure.

4.2.1. Assessing nature, likelihood and magnitude of climate-related risks

The impact on business is considered in terms of qualitative factors such as impacts on employees and continuity of operations, and quantitative financial impacts on the business and value chain. The likelihood is assessed based on the climate risk exposure study and stakeholder consultations. A scoring is assigned for the impacts ranging from 1 to 3 based on minor, moderate, and high. For likelihood, the score ranges from unlikely, likely, and regular. Based on the impacts and likelihood score, a risk rating (shown in Figure 10) is calculated in the range of 1 to 9 for each of the risks by multiplying impact scores and likelihood scores.

Figure 10: Climate Risk Assessment

4.2.2. Criteria and prioritization

In line with our overall risk management framework, we assess climate-related risks using the same structured risk matrix as other strategic, operational, and financial risks.

We employ a 3×3 risk matrix framework to systematically prioritise risks based on two dimensions: impact and likelihood. Each risk is assigned a composite score by multiplying likelihood and impact, resulting in categories of Low (Green), Medium (Yellow), or High (Red) priority.

Table 8: Risk prioritization matrix

Impact	*3 High*	Medium (3)	High (6)	High (9)
	2 Moderate	Medium (2)	Medium (4)	Medium (6)
	1 Minor	Low (1)	Low (2)	Medium (3)
		1 Unlikely	*2 Likely*	*3 Regular*
		Likelihood		

- Low Risks (Green, Score 1–2): These represent events with limited probability and/or minor impact (e.g., localised heat stress with minimal disruption). Such risks are monitored but require minimal intervention.
- Medium Risks (Yellow, Score 2–6): These capture risks with moderate likelihood and impact, requiring targeted mitigation plans. For example, riverine flooding or moderate drought exposure at select facilities.
- High Risks (Red, Score 6–9): These represent severe threats with high probability and significant consequences (e.g., recurrent extreme heat or large-scale supply chain disruption). These risks demand immediate management attention, capital allocation, and integration into strategic planning.

By applying this matrix, we are able to compare climate-related risks alongside operational, financial, and compliance risks in a consistent manner. However, climate-related risks that fall into the High category are treated with elevated strategic importance, given their potential to disrupt critical raw material supplies, production operations, and long-term resilience.

This approach enables the Risk Management Committee to visualise risk priorities clearly, allocate resources efficiently, and communicate risk exposures to the Board with transparency.

4.3. Monitoring and Integration

4.3.1. Monitoring mechanisms

The Risk Management Committee is responsible for establishing the procedures for effective monitoring and review of risks, including conducting risk prioritization analysis. The Committee reviews the risk register, prepared by management, on a regular interval to ensure relevance and accuracy.

Identified risks are discussed with the respective functional heads for appropriate mitigation and action planning. Further, the Committee apprises the Board of Directors of key risks and corresponding mitigation measures on a need basis, ensuring oversight and alignment with the organization’s strategic objectives.

4.3.2. Integration into enterprise risk management (ERM)

The climate-related risks are integrated into our overall Enterprise Risk Management (ERM) framework to ensure that climate -related risks are systematically addressed alongside traditional business risks. This involves embedding climate-related considerations into the risk register, applying scenario analysis to evaluate long-term exposure, and quantifying potential financial impacts under different climate pathways. The key risks currently included as a part of ERM are:

- Climate-induced hazards affecting business operations
- Key environmental impacts such as GHG emissions, climate change, improper waste and water management, and inefficient energy management leading to operational disruptions

Climate risks are incorporated into the risk register, categorized by priority, and linked to mitigation measures such as energy efficiency programs, resilient infrastructure investments, and supplier engagement. The Risk Management Committee reviews these risks and mitigation strategies twice in a year, escalating significant issues to the Board of Directors for oversight.

5. Metrics and Targets

5.1. GHG Emissions Disclosures

We are guided by a comprehensive Environment Policy that reflects our commitment to sustainable and responsible operations. This policy provides a structured approach to integrating environmental considerations across our operations—from manufacturing to emissions control.

Our GHG emissions inventory is aligned with the GHG Protocol Corporate Standard and the Corporate Value Chain (Scope 3) Standard. The boundary for emissions accounting is defined using the operational control approach. Emissions are categorized as follows:

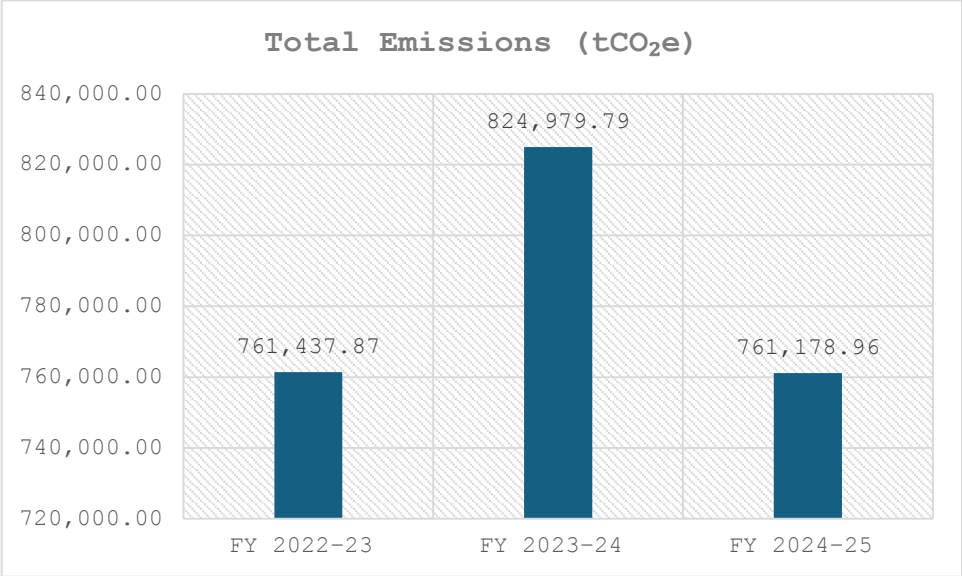
- **Scope 1**: Direct emissions from sources owned or controlled by Alembic.
- **Scope 2**: Indirect emissions from the consumption of purchased electricity.
- **Scope 3**: All other indirect emissions across relevant value chain activities. Each of the 15 Scope 3 categories was assessed for relevance. Notably, no emissions were recorded under Categories 11 (use of sold products), 13 (downstream leased assets), and 14 (franchises).

A detailed breakdown of GHG emissions is as follows:

Emission Type	FY 2024–25 (tCO_2 e)	FY 2023–24 (tCO_2 e)	FY 2022–23 (tCO_2 e)
Scope 1	80,278.03	71,131.81	67,992.68
Scope 2	77,965.98	67,544.14	83,482.35
Scope 3	6,02,934.95	6,86,303.84	6,09,962.84
Total Emissions	**7,61,178.96**	**8,24,979.79**	**7,61,437.87**

In FY 2024–25, total emissions are accounted as **7.61 lakh tCO_2 e**, comprising 21% Scope 1 & 2 emissions and 79% Scope 3 emissions. An increase in emissions during this period is observed, primarily due to a rise in production levels, leading to higher on-site fuel and electricity usage.

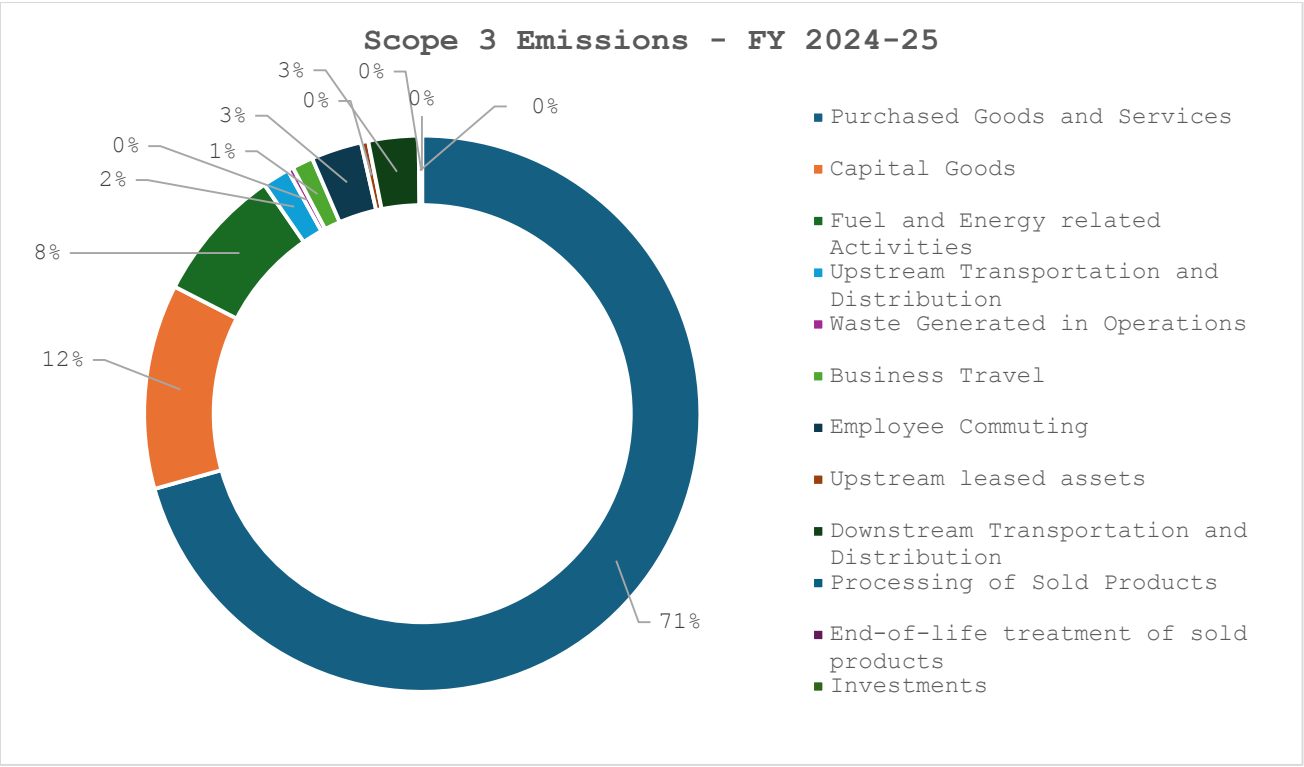
We use comprehensive activity data and standardized emission factors to ensure accuracy and consistency. Location-based Scope 2 emissions are reported in the absence of market-based contractual instruments. Our GHG inventory is reviewed annually to improve data quality and reflect changes in operations or methodologies.



Scope 3 Emissions:

In FY 2024–25, our Scope 3 emissions accounted for **6.02 lakh tCO_2 e** (~79% of total GHG emissions). We have used the hybrid approach that includes both spend and activity-based data for calculating the scope 3 emissions.

Scope 3 Emissions Category		Emissions (tCO2e)		
		FY 2024-25	FY 2023-24	FY 2022-23
Category 1	Purchased Goods and Services	4,25,916.41	5,32,856.98	4,54,402.43
Category 2	Capital Goods	71,773.02	35,240.37	12,149.58
Category 3	Fuel and Energy related Activities	47,329.67	41,784.27	41,657.30
Category 4	Upstream Transportation and Distribution	9,511.67	7,242.14	5,806.89
Category 5	Waste Generated in Operations	1,993.67	1,536.49	2,666.23
Category 6	Business Travel	7,376.45	7,516.93	6,306.39
Category 7	Employee Commuting	17,687.82	16,649.12	26,423.22
Category 8	Upstream leased assets	2,557.22	27,233.42	43,041.74
Category 9	Downstream Transportation and Distribution	17,519.69	14,311.44	15,781.57
Category 10	Processing of Sold Products	906.00	1,644.00	1,447.50
Category 11	Use of Sold Products	-	-	-
Category 12	End-of-life treatment of sold products	83.60	17.02	8.33
Category 13	Downstream Leased Assets	-	-	-
Category 14	Franchises	-	-	-
Category 15	Investments	279.75	271.66	271.66



5.2. Other Metrics

To further our climate resilience and risk readiness, we monitor the following indicators:

- **Assets/business activities vulnerable to physical and transition risks**

  Out of our total portfolio of 14 assets, ~28% (4 assets) are identified as highly vulnerable to climate-related physical risks, while ~71% (10 assets), primarily our manufacturing formulations and API facilities, are most exposed to transition risks.

- **Assets and Business Activities Aligned with Climate Opportunities**

  Out of our total portfolio, 7 assets (comprising 50% of total assets) are currently aligned to climate-related opportunities from adoption of renewable energy.

  - **Renewable Energy Adoption:** The Company has established two 12 MW solar parks (latest commissioned in February 2025), raising the renewable energy share to 39% of the total energy mix.
  - **Emissions Reduction:** Achieved 7.73% reduction in total emissions compared to FY 2023-24, and 0.03% reduction in total emissions compared to the base year FY 2020-21.
  - **Water Stewardship:** Developed 102 recharge wells, enabling 85% recharge capacity of total water consumption, supporting progress towards water neutrality, and expected to reach more than 90% by the end of the first quarter of FY26.
  - **Green Cover Expansion:** Planted 25,000+ trees to support carbon sequestration; on track to reach 50,000 trees by 2027.

- **Capital Deployment on Climate-related Initiatives**: Total EHS Opex & Capex investments: ~₹35 Cr, directed towards renewable energy infrastructure, water management, and sustainability initiatives.

5.3. Targets

As part of our alignment with the Science-Based Targets initiative (SBTi), we are committed to contributing to the 1.5°C pathway of the Paris Agreement, demonstrating our proactive approach to mitigating climate risks:

- **Near-Term Target**: Reduce absolute Scope 1, 2, and 3 GHG emissions by **63% by FY 2034** from an FY 2022 baseline.
- **Long-Term Target**: Reduce absolute Scope 1, 2, and 3 emissions by **90% by FY 2050** from the same baseline.

5.4. Performance Against Targets

- Monitoring Process: We regularly monitor our progress through a structured environmental management system. Our Board of Directors plays an active role in performance oversight of climate-related initiatives. ~~.~~

Goals and Targets	**KPIs**	**Performance against targets**
• Net Zero by 2050 • 63% GHG emissions reduction by 2035 (Scope 1,2 & 3)	Reduction in total emissions	7.73% reduction in total emissions compared to FY 2023-24, and 0.03% reduction in total emissions compared to the base year of FY 2022-23
	Consumption of Renewable Energy	69645 MWh of Renewable Energy consumed in FY 2024-25
• Water Neutrality by 2027	Reduction in total water consumption	7% reduction in water consumption compared to the base year of FY 2020-21
	Ground water recharge wells capacity	We have developed 102 water recharge wells, contributing towards groundwater recharge
• Waste Recycle	~~W~~aste recycled out of total waste generated	100% non-hazardous waste recycled
• Plant 50,000 Trees Plantation by 2027	Greenbelt, No. of Trees	25000+

Performance against targets is tracked internally using robust data systems and externally through **independent validation**. Ongoing reviews of our GHG inventory and environmental performance feed into our broader decarbonization initiatives in alignment with that target, helping us stay on track toward our science-based climate goals.

- Independent Validation
  - To ensure transparency and credibility, the Company engaged Bureau Veritas India Private Ltd. for an independent assessment during the reporting period.
  - The external validation supplements internal monitoring mechanisms, providing an objective assurance on the Company's performance against stated sustainability and business targets.

6. Appendices

6.1. Glossary

API	Active Pharmaceutical Ingredient
BAU	Business As Usual
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CEMS	Continuous Emissions Monitoring System
CDP	Carbon Disclosure Project
CMIP	Coupled Model Intercomparison Project
CORDEX	Coordinated Regional Climate Downscaling Experiment
DG	Diesel Generator
ERM	Enterprise Risk Management
ESG	Environment, Social, Governance
ESGF	Earth System Grid Federation
ETP	Effluent Treatment Plant
ETS	Emissions Trading Scheme
EU	European Union
GHG	Greenhouse Gases
GWP	Global Warming Potential
HVAC	Heating, Ventilation, and Cooling
IPCC	Intergovernmental Panel on Climate Change
NGFS	Network for Greening the Financial System
OPEX	Operational Expenditure
PAT	Perform Achieve Trade
PPA	Purchase Power Agreement
RCP	Representative Concentration Pathways
RE	Renewable Energy
RMC	Risk Management Committee
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets Initiative
SSP	Shared Socioeconomic Pathways
STP	Sewage Treatment Plant
TCFD	Taskforce on Climate-related Financial Disclosures
VRF	Variable Refrigerant Flow
ZLD	Zero Liquid Discharge

6.2. Current and anticipated effects of identified risks and opportunities

Table 9: Impacts of identified risks on Alembic's business model and value chain

Physical Risks	Current effects	Anticipated effects	Value chain
Extreme heat and Changing Temperatures	• Increase in energy demands (~10-20%) and equipment stress due to extended HVAC operations, especially at R&D centers • ~10–20% increase in operational costs attributed to HVAC/cooling loads across sites	• Rising ambient temperatures expected to drive higher electricity use, more than 10-20%, and HVAC-related operational expenses • Higher risks to product quality, especially for heat-sensitive solvents and APIs (e.g., ethanol, acetone, etc., both in direct operations and upstream (transportation and storage) • Occupational health risks due to extended exposure to high temperatures	Direct operations; Upstream (transport/ storage)
Floods and Changing precipitation patterns	• Severe asset losses due to flash floods with 100+ days of operations disruption at Sikkim • Transportation and logistics disruptions impacting continuity of supplies • Impacts on employee commute resulting in absenteeism	• Escalation in repair/recovery costs due to increased exposure to flash floods, especially at Sikkim, due to increasing precipitation over the years • Disruptions to inbound/outbound logistics, especially where no alternate routes exist (e.g., Sikkim), may become more frequent and prolonged • Accessibility issues during extreme rainfall may affect workforce attendance and shift continuity in susceptible sites	Direct operations (asset and workforce); Upstream/Downstream (logistics, supply continuity)
Drought and Water stress	• No major impacts observed in terms of water shortages due to preparedness measures in place at all the sites	• Potential vulnerability in sites with sole reliance on groundwater (e.g., Sikkim, Vadodara) if aquifer levels fall or drought frequency increases • Increased regulatory scrutiny may emerge in the future, particularly in water-stressed regions, such as, the Gujarat cluster • Sites with limited water diversification, such as Vadodara and Sikkim, may face risks under prolonged dry spells causing operational disruptions • Given the potential presence of some of our critical suppliers in water-stressed regions of Gujarat, Maharashtra, and Telangana, future risks may involve production slowdowns or shutdowns, increased input costs, and quality risks from water sourcing challenges.	Direct operations; Upstream (suppliers in water-stressed regions)
Cyclones	• Limited direct impact across most of the sites; • Logistics delays observed in Vadodara during cyclonic events (2 events reported in the past 5–10 years) and no other asset damage or operational downtime.	• Increased frequency/intensity of cyclones due to climate change may lead to risk of structural damage, power outages, production interruptions, and potential workforce safety concerns in cyclone-prone regions (e.g., Gujarat, Mumbai). • Higher disruption risk to logistics and transportation, particularly in coastal or cyclone-prone supply routes.	Direct operations (assets and workforce); Upstream/ Downstream (logistics/ transport)
Landslides	• Given the high exposure of landslides at Sikkim, frequent	• Sikkim is likely to face continued and potentially increasing disruption due to	Direct operations (production);

	operational disruptions and impacts on employee commuting due to road blockages are observed as the direct impacts. Additionally, the inbound and outbound transport is regularly disrupted during landslides, and no alternate routes are available during closures.	climate change-driven intense rainfall events, possibly extending downtime beyond current averages and posing higher transport disruption risk affecting supply chain continuity.	Upstream/Downstream (transport)
Transition Risks	**Current effects**	**Anticipated effects**	
Carbon pricing	• Currently, no impacts are faced due to carbon pricing in our direct operations or value chain	• Although India does not have a national carbon tax, emerging instruments (like the Carbon Market Framework under BEE and MoEFCC) may internalize these prices via: Sectoral Emission Caps (under ETS), Green procurement mandates, Energy efficiency compliance (e.g., PAT Scheme) • Alembic may face indirect carbon pricing through rising energy costs, supplier penalties, or regulatory mandates. • Our export-oriented pharma operations (e.g., APIs to EU) may face border carbon adjustments. • Our imports from USA and China may become more expensive due to embedded carbon costs and our critical suppliers in these countries may pass through carbon price burden via raw material price hikes, or shift to greener production, prompting a change in sourcing strategy	Direct operations (compliance); Upstream (raw material suppliers); Downstream (export markets)
Opportunity	**Current effects**	**Anticipated effects**	
Renewable energy adoption	• With 39% of our current energy sourced from renewables and a target of meeting 80% of electricity demand through renewable sources, we anticipate enhanced energy security and reliability. Captive solar and hybrid power agreements provide a stable and predictable supply, ensuring continuity for energy-intensive pharmaceutical operations where uninterrupted power is essential.	• Over the medium to long term, greater reliance on renewable energy is expected to deliver sustained cost reductions, improve energy security, and shield the business from volatility in fossil fuel markets. This transition also aligns the Company with India's renewable energy targets and potential market incentives, strengthening its long-term competitiveness.	Direct operations (production)
Reduced water usage and consumption	• Our existing water management measures towards achieving the target of water neutrality by FY'27 are helping enhance water efficiency across our operations and meeting regulatory compliance.	• With our Water Neutrality strategy in place, the anticipated improvements in our operational water-use efficiency are projected to further reduce operating costs in longer run, and enhance resilience in water-stressed geographies, especially the Gujarat cluster.	Direct operations (production)

6.3. Physical risk assessment – Scenarios, indicators, and Data Sources

Table 10: Physical risks – IPCC Climate Scenarios Used

IPCC Combined Climate Scenario	Estimated Global Warming (°C) by 2081–2100	Key Features
SSP1-2.6	~1.8	• A combined SSP–RCP scenario reflecting a sustainable development pathway (SSP1) with strong mitigation policies (RCP2.6). • Characterized by rapid adoption of renewables, reduced inequality, lower energy demand, and robust international climate cooperation.
SSP2-4.5	~2.7	• A combined SSP–RCP "middle-of-the-road" scenario where socio-economic trends follow historical patterns (SSP2) and mitigation efforts stabilize emissions around mid-century (RCP4.5). • Represents moderate challenges for both mitigation and adaptation.
SSP5-8.5	~4.4	• A combined SSP–RCP scenario driven by fossil-fuel intensive development (SSP5) paired with very high radiative forcing (RCP8.5). • Features rapid economic growth, high energy demand, continued reliance on fossil fuels, and limited climate policy action, leading to severe climate risks.

Table 11: Physical Climate Hazards and Associated Indicators, Units, and Data Sources

Climate Hazard	Indicator	Unit	Data source
Extreme heat	Annual maximum of the daily maximum temperature	(°C)	Climate-related – ESGF CMIP6,
Droughts	Drought Risk (composite of hazard, exposure, vulnerability)	None (values between 0 and 1)	WRI Aqueduct- Water Risk Atlas
Flooding (riverine and coastal)	Average annual % of population affected by floods	%	WRI Aqueduct- Water Risk Atlas
Wind hazard/ Cyclone	Basic wind speed	m/s	Vulnerability Atlas of India - Building Materials and Technology Promotion Council
Landslides	Landslide Susceptibility Index (Rainfall-triggered)	-	GFDRR and ARUP
Changing Temperatures	Annual maximum of the daily maximum temperature	(°C)	Climate-related – ESGF CMIP6

Changes in Precipitation Patterns	Annual Cumulative precipitation	mm	Climate-related – ESGF CMIP6
Water Stress	Ratio of total water demand to available renewable surface and groundwater supplies	%	WRI Aqueduct- Water Risk Atlas

6.4. IFRS-S2 Index

#	IFRS S2 Recommended Disclosure	Summary of disclosure	Document section
1	**Governance**		
a)	The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities.	The role of the highest governance body in sustainability matters lies with Board of Directors who provides strategic direction and oversight, ensuring the company operates in the best interests of all stakeholders. The Risk Management Committee (RMC) is responsible for overseeing climate-related risks.	Section 2.1.1 Roles and responsibilities of the Board and Committees
I.	how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);		Section 2.1.2 Terms of reference and governance policies
II.	how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities;		Section 2.1.3 Competence and skills of governance bodies
III.	how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;		Section 2.1.4 Frequency and channels of information flow to governance bodies
IV.	how the body(s) or individual(s) takes into account climate related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and		Section 2.1.5 Integration into strategy, major transactions, and risk management
V.	how the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets, including whether and how related performance metrics are included in remuneration policies		Section 2.1.6 Oversight of climate-related targets and linkage to remuneration
b)	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:		Section 2.2
I.	whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and		Section 2.2.1 Delegation of roles
II.	whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions		Section 2.2.2 Controls, procedures, and integration into internal management systems
2	**Strategy**		
	Climate-related risks and opportunities		
a)	Describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects;	Physical risks (Material): Extreme heat and Temperature changes, Floods and changing precipitation patterns, and Landslides Transition Risks (Material): Carbon pricing Opportunities: Reduction in costs due to RE adoption and; due to	Section 3.1: Climate-related Risks and Opportunities
b)	explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk;		Section 3.1: Climate-related Risks and Opportunities

		reduced water usage and consumption	
c)	specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term— the effects of each climate-related risk and opportunity could reasonably be expected to occur; and	Short-term: 2030 Medium-term: 2040 Long-term: 2050	Section 3.1.4: Time horizons considered
d)	explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making		Section 3.1.4: Time horizons considered
	Business model and value chain		
a)	a description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain; and	Current and anticipated qualitative effects of climate-related risks and opportunities on direct operations and value chain is discussed	Section 3.2.1: Current and anticipated effects on business model and value chain
b)	a description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated	Physical risks: R&D and Formulations facilities at Vadodara, Panchdevla, Jarod, and Sikkim Transition Risks: Direct operations in long-term, Export operations to USA and China in medium-term	Section 3.2.2: Geographic, operational and asset-level concentrations of risk
	Strategy and decision-making		
a)	information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the entity shall disclose information about:		
I)	current and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities	Resource allocation, Operational transition, and Decarbonization of Supply Chain	Section 3.3.2: Current and Anticipated Changes to the Business Model
II)	current and anticipated direct and indirect mitigation and adaptation efforts	Direct efforts related to Energy efficiency and energy transition, Emissions management, and Water management Indirect efforts related to supplier engagement, value chain integration, and market adaptation	Section 3.3.3: Mitigation and Adaptation Efforts
III)	any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies; and plans to achieve any climate-related targets, including any greenhouse gas emissions targets	Climate-related transition plan includes targets around achieving net-zero emissions by 2050 and achieving water neutrality by FY'27. More details on the assumptions, dependencies, and plans have been discussed in the respective section.	3.3.4: Climate Transition Plan and Targets
b)	information about how the entity is resourcing, and plans to resource, the activities, and quantitative and qualitative information about the progress of plans disclosed in previous reporting periods	Resourcing: Includes investments, dedicated working teams, and capacity building initiatives. Progress of plans: • Energy savings of 51,378 kWh/day in FY 2024–25 • Renewable power growth from 8% in FY 2022–23 to 39% in FY 2024–25 • Emission intensity improvements and Scope 3 emissions under structured monitoring. • CDP badge in FY 2024–25	3.3.4: Climate Transition Plan and Targets 3.3.5: Progress Against Plans
	Financial position, financial performance and cash flows		

(a)	the current and anticipated effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning	Current and anticipated financial impacts have been estimated for material physical and transition risks and opportunities, across the identified climate scenarios and time horizons. Details have been discussed in detail in respective section.	Section 3.4.1: Current and anticipated financial impacts on position, performance, and cash flows
	Climate resilience		
a)	the climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities		
	(1) the availability of, and flexibility in, the entity's existing financial resources to respond to the effects identified in the climate-related scenario analysis, including to address climate-related risks and to take advantage of climate-related opportunities; (2) the entity's ability to redeploy, repurpose, upgrade or decommission existing assets; and (3) the effect of the entity's current and planned investments in climate-related mitigation, adaptation and opportunities for climate resilience;	Existing investments: ~INR 35.24 crore Planned investments: Over 2 times the existing investment planned till year 2030. More details have been discussed in the respective section	Section 3.3.2: Current and Anticipated Changes to the Business Model
b)	how and when the climate-related scenario analysis was carried out, including information about the inputs the entity used, including:		
	(4) which climate-related scenarios the entity used for the analysis and the sources of those scenarios; (5) whether the analysis included a diverse range of climate-related scenarios; (6) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (7) whether the entity used, among its scenarios, a climate related scenario aligned with the latest international agreement on climate change; (8) why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (9) the time horizons the entity used in the analysis; and (10) what scope of operations the entity used in the analysis; and (11) the key assumptions the entity made in the analysis	Combined climate scenarios by IPCC are used for physical risk analysis: SSP1-2.6*, SSP2.-4.5, and SSP5-8.5 For transition risk analysis, NGFS Net Zero* and Delayed transition scenarios are considered. **Aligned with global climate change agreements* More details are discussed in the respective section.	Section 3.2: Climate Risk Assessment
c)	the reporting period in which the climate-related scenario analysis was carried out	Reporting period FY 2024-25	Section 1.1: Objective of the Report
	Risk management		
a)	the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks and opportunities, including information about:		
(i)	the inputs and parameters the entity uses);	Climate risks and opportunities are identified through secondary research (peer disclosures, sectoral guidance, expert consultations, and specialized tools. Key data sources used are shown in Figure 9. More details are discussed in the respective section.	Section 4.1.1: Inputs and parameters for climate-related risks and opportunities identification
(ii)	whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks and opportunities;	Physical risks are evaluated using IPCC SSP-RCP combined scenarios (SSP1-2.6, SSP2-4.5, SSP5-8.5) across near, medium, and long-term time horizons of	Section 4.1.2: Scenario analysis used in risk identification

		2030, 2040, and 2050. For transition risks, the NGFS Net Zero (Orderly) and NGFS Delayed Transition (Disorderly) scenarios are considered across the same time horizons.	
(iii)	how the entity assesses the nature, likelihood and magnitude of the effects of those risks and opportunities ;	Impact: Qualitative factors such as impacts on employees and continuity of operations, and quantitative financial impacts on the business and value chain. Likelihood: Based on climate risk exposure study and stakeholder consultations	Section 4.2.1: Assessing nature, likelihood and magnitude of climate-related risks
(iv)	whether and how the entity prioritises climate-related risks relative to other types of risk;	A 3×3 risk matrix framework is used to systematically prioritise risks based on two dimensions i.e., impact and likelihood	Section 4.2.2: Criteria and prioritization
(v)	how the entity monitors climate-related risks and opportunities; and	The RMC reviews the risk register on a half-yearly basis to ensure relevance and accuracy	Section 4.3.1: Monitoring mechanisms
vi)	whether and how the entity has changed the processes it uses compared with the previous reporting period;	This disclosure is not applicable.	Not Applicable
b)	the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	The climate-related risks are integrated into ERM by embedding climate-related considerations into the risk register, applying scenario analysis to evaluate long-term exposure, and quantifying potential financial impacts under different climate pathways.	Section 4.3.2: Integration into enterprise risk management (ERM)
	Metrics and targets		
	Climate-related metrics		
(a)	greenhouse gases—the entity shall:	FY 2024-25 Emission Type Scope 1: 80,278.03 tCO_2 e Scope 2: 77,965.98 tCO_2 e Scope 3: 7,61,178.40.40 tCO_2 e	Section 5.1 *GHG Emissions Disclosures*
(i)	disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO2 equivalent, classified as: (1) Scope 1 greenhouse gas emissions; (2) Scope 2 greenhouse gas emissions; and (3) Scope 3 greenhouse gas emissions;		Section 5.1 *GHG Emissions Disclosures*
(ii)	measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its greenhouse gas emissions		Section 5.1 *GHG Emissions Disclosures*
(iii)	disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs B26–B29) including:	Operational Control Approach	Section 5.1 *GHG Emissions Disclosures*
	(1) the measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions (2) the reason why the entity has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (3) any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;	Organization has authority to implement operating policies and procedures in an entity or facility or activity. This includes their own operations, Leased assets, Joint operations, upstream and downstream resources.	
(iv)	for Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(1)–(2), disaggregate emissions between:		Section 5.1 *GHG Emissions Disclosures*
	(1) the consolidated accounting group (for example, for an entity applying IFRS Accounting Standards, this group would comprise the parent and its consolidated subsidiaries); and	Standalone Reporting	

	(2) other investees excluded from paragraph 29(a)(iv)(1) (for example, for an entity applying IFRS Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries);		
v)	for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(2), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions (see paragraphs B30–B31); and	**Location-Based Emissions:** The company's gross location-based Scope 2 GHG emissions for the reporting period were 77,965.98 tCO2e. This figure is calculated by applying the regional grid average emission factor (0.727 tCO2e/MWh) to our total grid electricity consumption.	Section 5.1 *GHG Emissions Disclosures*
vi)	for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(3), and with reference to paragraphs B32–B57, disclose:	Reporting and disclosure on following Scope 3 emissions category: 1) Purchased Goods and Services 2) Capital Goods 3) Fuel and Energy related Activities 4) Upstream Transportation and Distribution 5) Waste Generated in Operations 6) Business Travel 7) Employee Commuting 8) Upstream leased assets 9) Downstream Transportation and Distribution 10) Processing of Sold Products 11) End-of-life treatment of sold products 12) Investments	Section 5.1 *GHG Emissions Disclosures*
	(1) the categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and (2) additional information about the entity's Category 15 greenhouse gas emissions or those associated with its investments (financed emissions), if the entity's activities include asset management, commercial banking or insurance (see paragraphs B58–B63);		
(b)	climate-related transition risks—the amount and percentage of assets or business activities vulnerable to climate-related transition risks;	Out of our total portfolio of 14 assets, ~28% (4 assets) are identified as highly vulnerable to climate-related physical risks, while ~71% (10 assets), primarily our manufacturing formulations and API facilities, are most exposed to transition risks. Out of our total portfolio, 7 assets (comprising 50% of total assets) are currently aligned to climate-related opportunities from adoption of renewable energy.	Section 5.2 *Other Metrics*
(c)	climate-related physical risks—the amount and percentage of assets or business activities vulnerable to climate-related physical risks;		Section 5.2 *Other Metrics*
(d)	climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities;		Section 5.2 *Other Metrics*
(e)	capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;		Section 5.2 *Other Metrics*
(f)	internal carbon prices—the entity shall disclose: (i) an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and (ii) the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions;	Not available	Section 5.2 *Other Metrics*
(g)	remuneration—the entity shall disclose: (i) a description of whether and how climate-related considerations are factored into executive remuneration (see also paragraph 6(a)(v)); and (ii) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations	Currently, the climate-related considerations are not factored into executive remuneration.	NA
	Climate-related targets		
(a)	the metric used to set the target		Section 5.3

		Near-Term Target: Reduce absolute Scope 1, 2, and 3 GHG emissions by 63% by FY 2034 from an FY 2022 baseline. Long-Term Target: Reduce absolute Scope 1, 2, and 3 emissions by 90% by FY 2050 from the same baseline.	*Targets*
(b)	the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);		Section 5.3 *Targets*
(c)	the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region);		Section 5.3 *Targets*
(d)	the period over which the target applies;		Section 5.3 *Targets*
(e)	the base period from which progress is measured;		Section 5.3 *Targets*
(f)	any milestones and interim targets;		Section 5.3 *Targets*
(g)	if the target is quantitative, whether it is an absolute target or an intensity target; and		Section 5.3 *Targets*
(h)	how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.		Section 5.3 *Targets*
	An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:		
(a)	whether the target and the methodology for setting the target has been validated by a third party;	To ensure transparency and credibility, the Company engaged Bureau Veritas India Private Ltd. for an independent assessment during the reporting period. The Targets are validated by SBTi.	Section 5.4 Performance against targets
(b)	the entity's processes for reviewing the target;		Section 5.4 Performance against targets
(c)	the metrics used to monitor progress towards reaching the target; and	-	Section 5.4 Performance against targets
(d)	any revisions to the target and an explanation for those revisions	None	Section 5.4 Performance against targets
	An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance.	-	
	For each greenhouse gas emissions target disclosed in accordance with paragraphs 33–35, an entity shall disclose:		
(a)	which greenhouse gases are covered by the target.	CO_2, CH_4, N_2O	Section 5.4 *Performance against targets*
(b)	whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target.	Yes	Section 5.4 *Performance against targets*
(c)	whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. If the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target	Gross Greenhouse gas emission targets adopted.	Section 5.4 *Performance against targets*
(d)	whether the target was derived using a sectoral decarbonisation approach.	No, absolute contraction method	Section 5.4 *Performance against targets*
(e)	the entity's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits the entity shall disclose information including	No	
	(i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the	Not Applicable	Section 5.3 *Targets*

	underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credits the entity plans to use (for example, assumptions regarding the permanence of the carbon offset)		